



Webcast and Conference call FY2019 financial results

March 2020

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Board

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MKB.RU

Business Achievements 2019

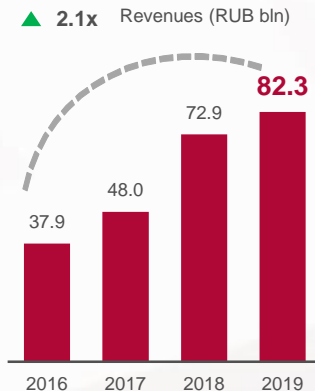
Corporate Banking

- +12% corporate portfolio expansion
- Widening geographical network: MKB has entered **St. Petersburg region**
- MKB tripled volume of the **express guarantees portfolio**
- New digital solutions (SWIFT GPI, online FX platform, etc.) and internal processes automation
- Real Estate ecosystem** was arranged to improve quality and diverse clients, products and services
- Distribution network for SMEs** was integrated into Bank's infrastructure to attract creditworthy borrowers and strengthen competitive positions



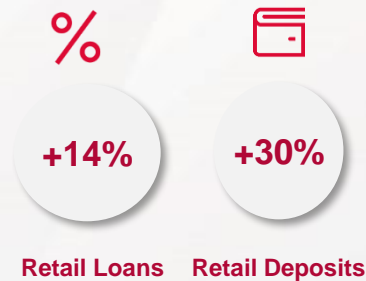
Investment Banking⁽¹⁾

- 80 bond issues** during 2019 with a total nominal value of **RUB 900 bln.**
- Investment banking **revenues expanded** by **13%** in 2019 to **RUB 82 bln**
- 103 trading agreements** signed in 2019
- Structured finance book grew from **RUB 85 bln to RUB 135 bln**
- MKB is among **Top-4 bond issues arrangers** in the Russian debt capital market as per Cbonds
- MKB Exchange** – platform for corporate customer FX operations was arranged as part of digitalization and infrastructure renovation program
- Geographical expansion** - CIS



Retail Banking

- +30% retail deposits expansion
- The well-established **deposits franchise** attracts new high-quality customers - staff and active customers of the bank make **40% of the growth**
- +17% active client base
- +170% - sales via digital channels due to Improved package of digital services
- +33% of private banking client base in parallel with launch of new **private banking** brand and marketing campaign



Capital Markets and Ratings

- Up to **USD 500 mln syndicated facilities agreement** with 12 large lenders from Europe, the USA, Middle East and Asia
- Up to **RMB 2 bln** (c. USD 280 mln) **syndicated loan** agreement with large regional banks of China.
- 2 Senior Unsecured Eurobonds issues:** 5.15% EUR 500 mln Eurobond due 2024 (CBOM-24 EU) 7.121% USD 500 mln Eurobond due 2024 (CBOM-24)
- SPO** in the amount of **RUB 14.7 bln** and partial **repurchase and redemption** of 7.5% subordinated Eurobonds due 2027 and 8.875% subordinated perpetual Eurobonds
- Improvement of existing ratings levels** and a new one:
 - Expert RA "ruA" ▲
 - Fitch Ratings 'BB' ▲
 - China Lianhe Credit Rating Co. 'AA+'



Source: IFRS Financial Statements; Company data.

Notes: (1) Treasury segment revenues before intersegment eliminations (adjusted for revenues (expenses) from other segments).

Financial Highlights for 2019

Key performance highlights

Focus on manageable growth

- Competitive player in the financial sector
- **Gross loan** portfolio demonstrated 12% growth
- **Retail deposits** increased by 30%
- **Net Interest Margin** is affected by large proportion of highly liquid low-risk and low-margin assets and higher deposit interest rates
- Retail portfolio average yield **15.9%**
- Corporate portfolio average yield **8.1%**

Active player on capital markets

Highly liquid low risk assets priority

New ESG initiatives

<u>Income statement</u> <u>(RUB bln)</u>	<u>2019</u>	<u>2018</u>	<u>Change, yoy, %</u>	
Interest income	147	138	▲	+ 6.8%
Net interest income	45	48	▼	- 6.5%
Net fee and commission income	12	12	▼	- 6.6%
Profit for the period	12	27	▼	- 56.1%
NIM	2.2%	2.6%	▼	- 0.4 p.p.
RoAA	0.5%	1.4%	▼	- 0.9 p.p.
RoAE	7.8%	19.9%	▼	- 12.1 p.p.
CTI	51.6%	29.8%	▲	+ 21.8 p.p.
COR	1.0%	1.0%		

<u>Balance sheet</u> <u>(RUB bln)</u>	<u>2019</u>	<u>2018</u>	<u>Change, yoy, %</u>	
Total assets	2,423	2,146	▲	+ 12.9%
Loans to customers (gross)	829	740	▲	+ 12.0%
Due to individuals	486	375	▲	+ 29.6%
Total equity	210	191	▲	+10.1%
NPL 90+ / Gross loans	3.6%	1.6%	▲	+ 2.0 p.p.
Core Tier 1 Capital Ratio	11.9%	10.7%	▲	+ 1.2 p.p.
Tier 1 ratio	14.5%	14.1%	▲	+ 0.4 p.p.

ESG Initiatives implementation 2019

In attempt to create a green financial institute



Emphasis on **Green Projects** of Corporate Clients



BBB[esg] ESG Rating Assignment . First Russian bank to obtain ESG rating.



Publication of **Sustainability Report Based on GRI** Standards



Sustainable Development Workgroup was created as part of our initiative to integrate corporate social responsibility (CSR) principles into MKB operations



Socially oriented Retail products Frank RG experts called MKB's card 'Wisdom' the best card for pensioners (Frank Banking Reward Award 2019). In 2019 MKB issued 135,000 pension programme cards, 48,000 of them are credited with pensions by the Pension Fund of the Russian Federation



Charity Events - Cooperation with "Arifmetika Dobra" charity fund, providing support to the orphans and foster families: unique service that allows you to send a donation in two clicks directly to Arifmetika Dobra in MKB mobile application (IOS, Android).



Corporate **Volunteer programs**

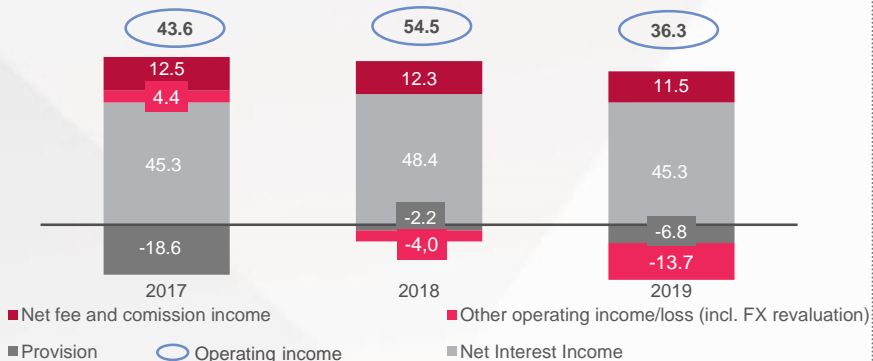


Collaboration with **WWF Fund** and the guardian of an Amur leopard at the Moscow Zoo

Financial Results

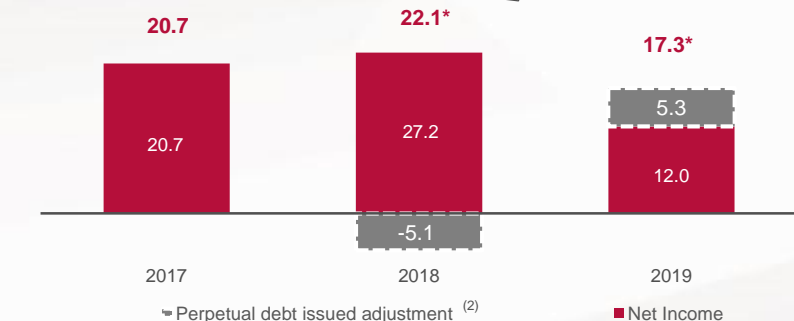
Operating Income

(RUB bln)



Net Income

(RUB bln)

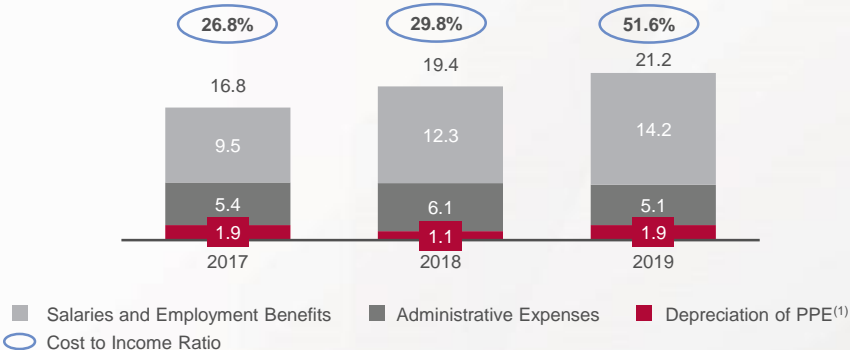


Source: Company data.

Notes: (1) Depreciation of property and equipment and right-of-use assets. (2) Perpetual debt issued adjustment includes perpetual debt redemption, foreign exchange revaluation of perpetual debt issued and tax effect on perpetual debt issued

Operating Expenses

(RUB bln)



Key Clarification

- **Operating income** decline in FY2019 was mainly due to **negative FX result** in amount of **RUB 13.3 bln**. It includes costs of FX swaps as a result of the Bank currency position management and FX negative revaluation of perpetual debt issued
- **FX negative revaluation on perpetual debt issued** was fixed in amount of **RUB 4.4 bln** due to ruble strengthening in 2019 in comparison to gain of RUB 7.5 bln effect in 2018. **FX revaluation** is attributed to accounting specifics of USD-denominated perpetual subordinated Eurobond in Tier 1 capital revaluation
- **Adjusted net income** demonstrates **22% decline** in 2019. The loss was generated by growth of currency risks hedges expenses (RUB 8.9 bln) and other operating expense mainly due to soft ware expenses (RUB 0.6 bln) and loss on operations with issued bonds (RUB 0.6 bln)

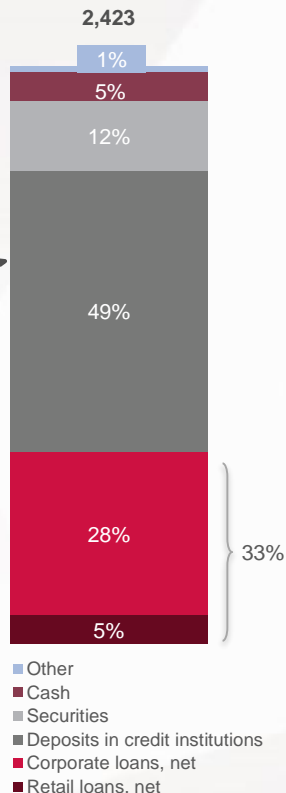
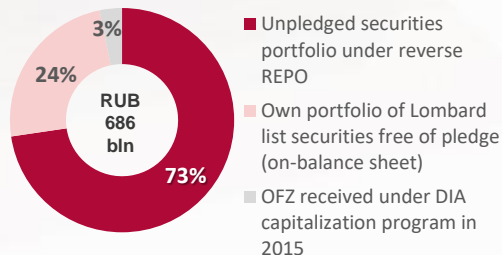
Assets Composition - Highly Liquid Assets are a Key Priority

Total Assets⁽¹⁾ (RUB bln)

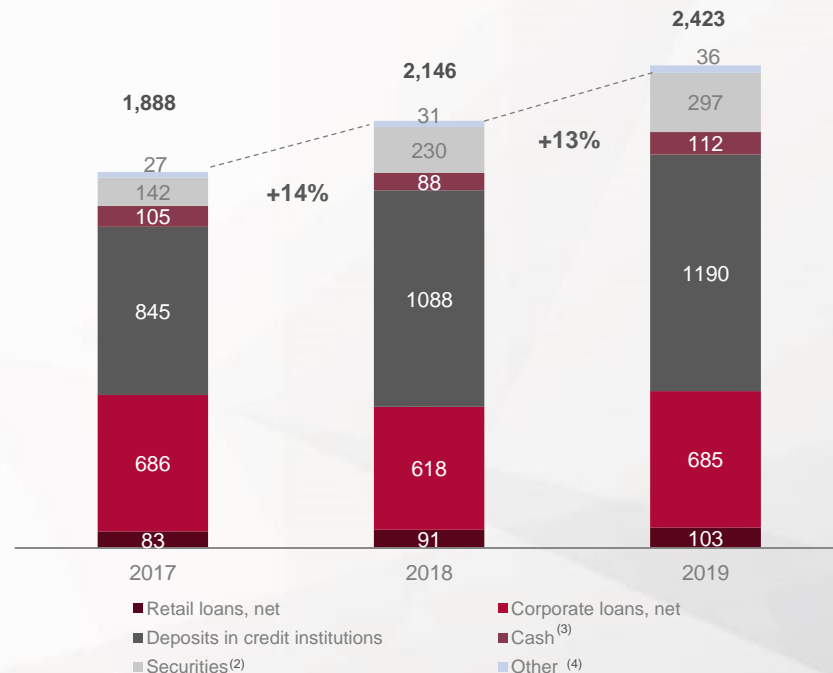
Deposits in Credit institutions

- 71% of deposits in credit and other financial institutions with maturity of less than 1 month
- More than 90% of securities that serve as collateral under reverse sale and repurchase agreements have rating grade BBB- and above
- Reverse REPO agreements pressure on capital is close to 0

Unused liquidity sources structure⁽⁵⁾



Assets Evolution (RUB bln)



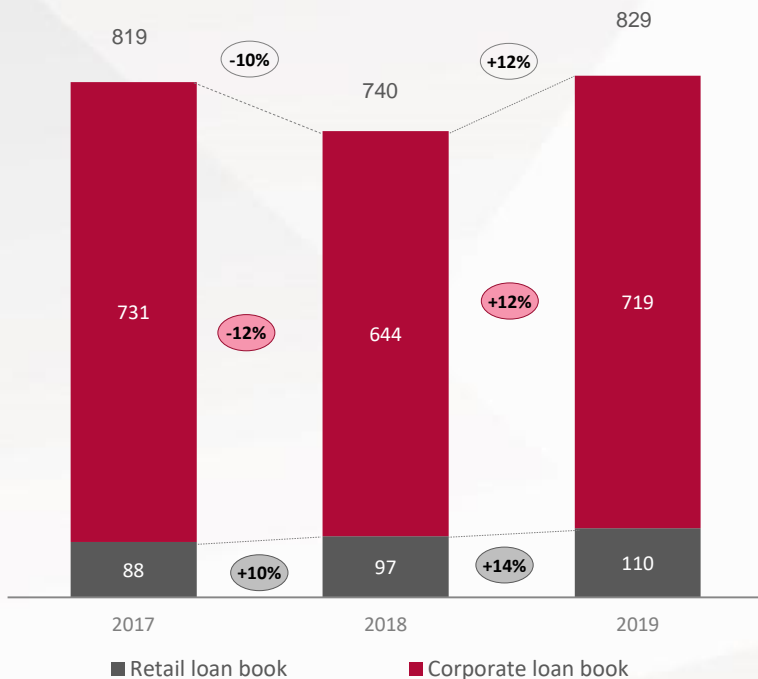
Source: IFRS financial statements; Company data.

(1) As at 31 Dec 2019. (2) Securities include trading financial assets less derivative financial instruments and investment financial assets. (3) Cash includes cash on hand, correspondent account with the CBR and Nostró accounts with other banks. (4) Includes obligatory reserves with the CBR, Investments in associates, Property and equipment, Deferred tax asset, Other assets. (5) As at 13 March 2020.

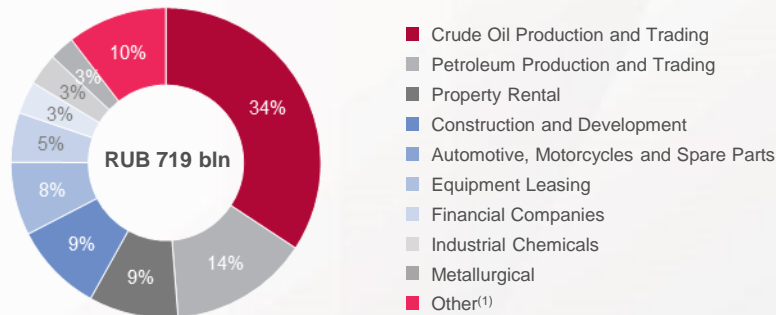
Focus on Reasonable Lending Growth

Loan Portfolio Evolution

Breakdown, gross loans (RUB bln)

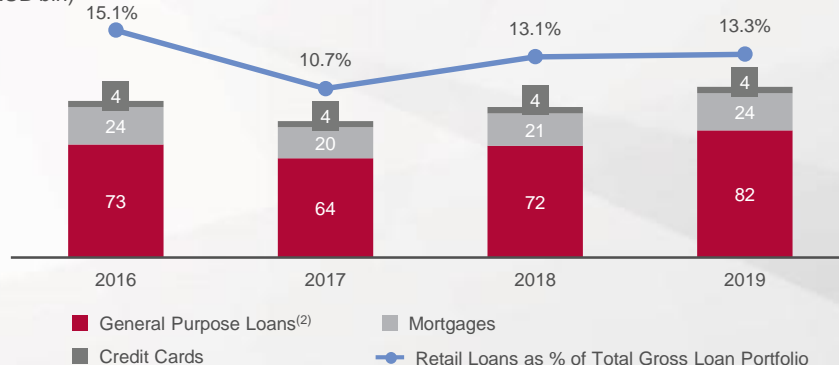


Corporate Loan Portfolio Diversification



Retail Loans Breakdown

(RUB bln)

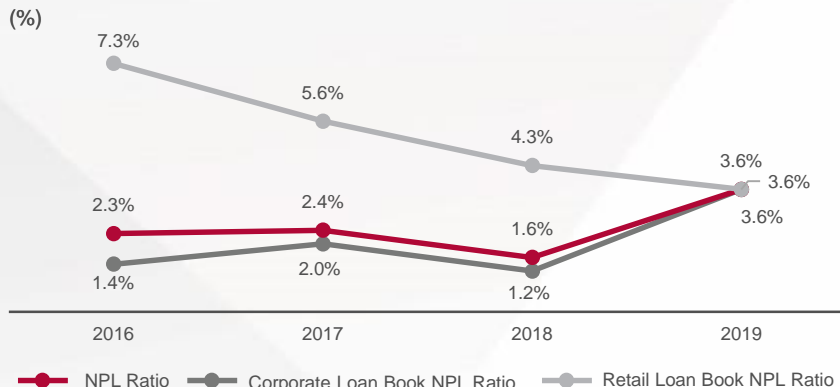


Source: IFRS Financial Statements; Company data.

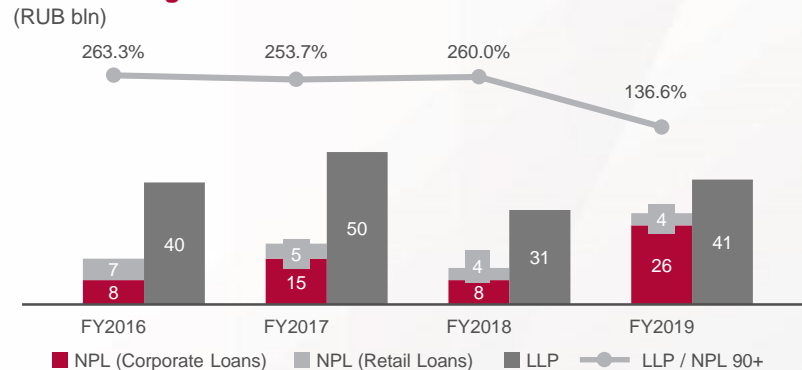
Notes: (1) Includes more than 10 other industries (2) Includes auto loans.

Loan Portfolio Quality Under Control

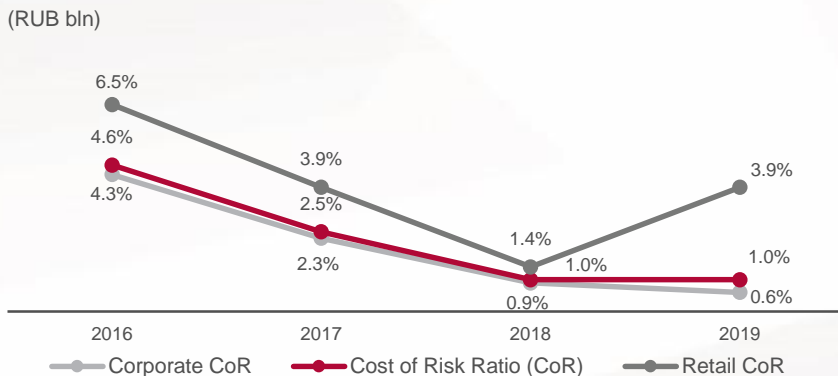
NPL Ratio



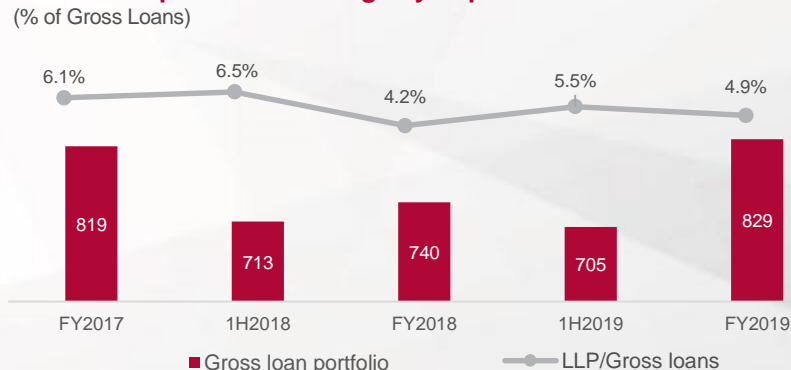
NPL Coverage



Cost of Risk



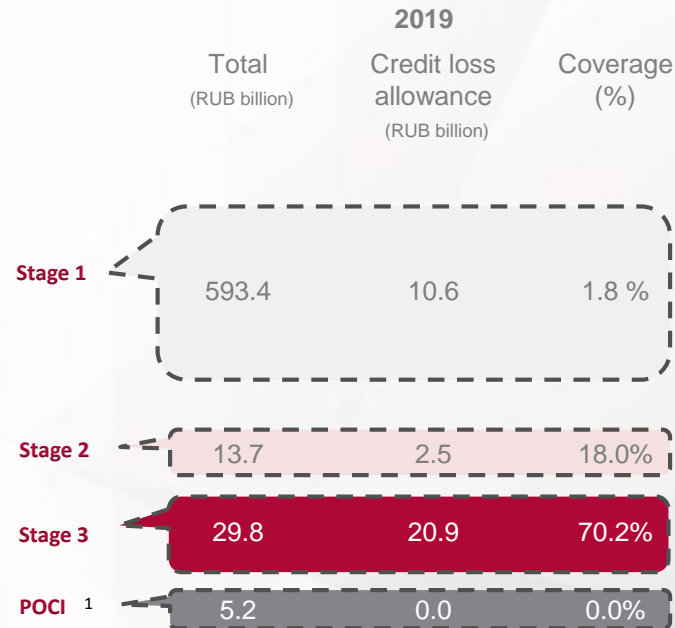
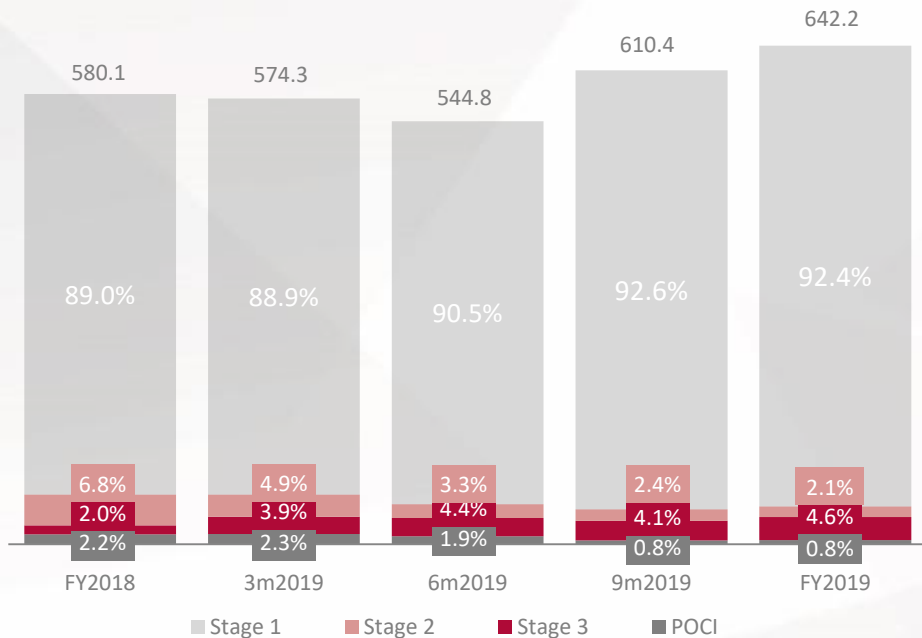
Gross loan portfolio coverage by impairment allowance



Source: IFRS financial statements; Company data.

Corporate Portfolio Evolution

Total gross corporate loan portfolio at amortized cost
(RUB bln)



Source: IFRS financial statements; Company data.

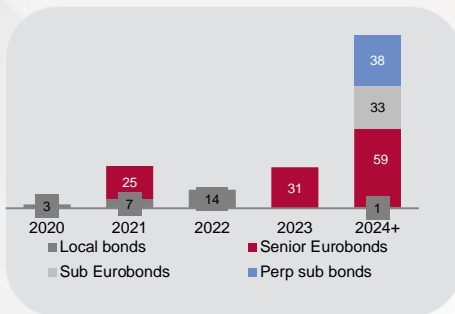
(1) POCI – purchased or originated credit impaired

Liabilities Composition

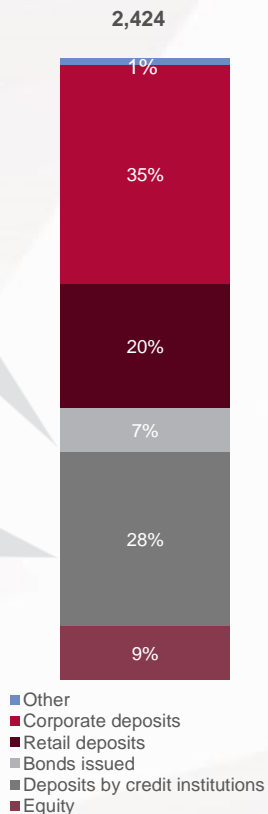
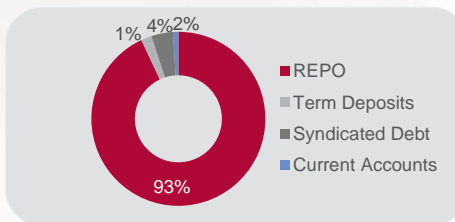
Total Liabilities and Equity⁽¹⁾

(RUB bln)

Debt Securities Repayment schedule⁽²⁾

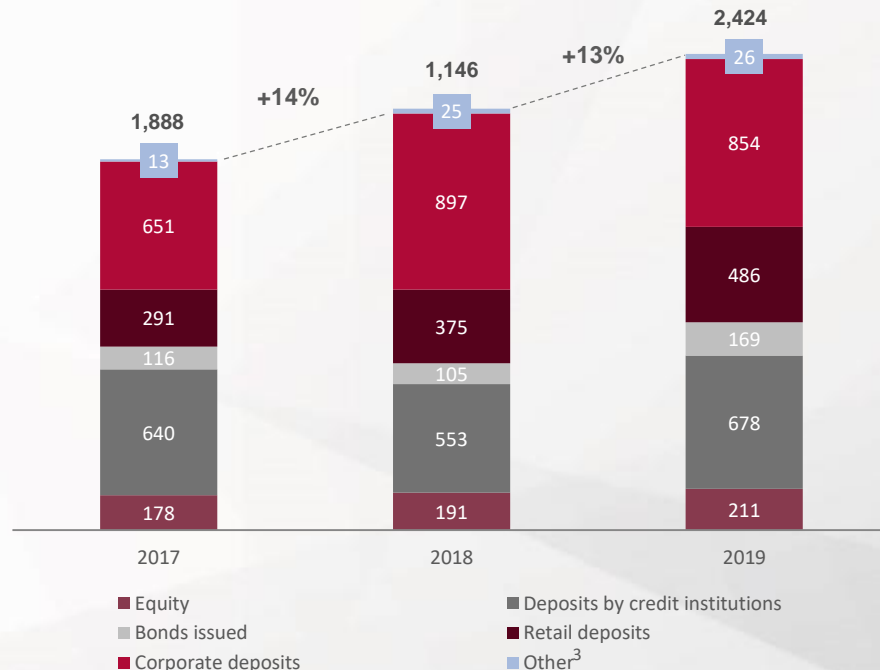


Due to Banks



Liabilities Evolution

(RUB bln)



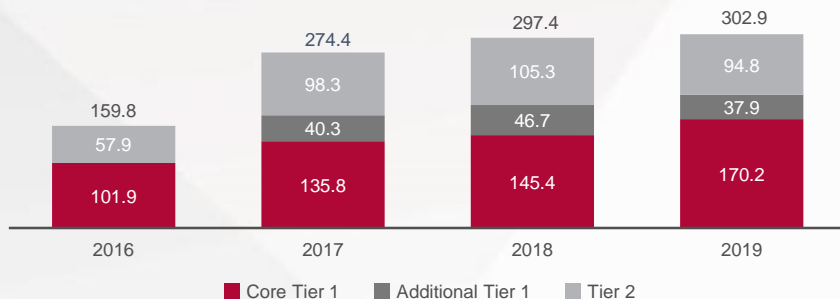
Source: IFRS financial statements; Company data.

(1) As at 31 Dec 2019. (2) Debt securities repayment schedule as of 31.12.2019. (3) Includes Deferred tax liability and Other liabilities

Sound Capital Position

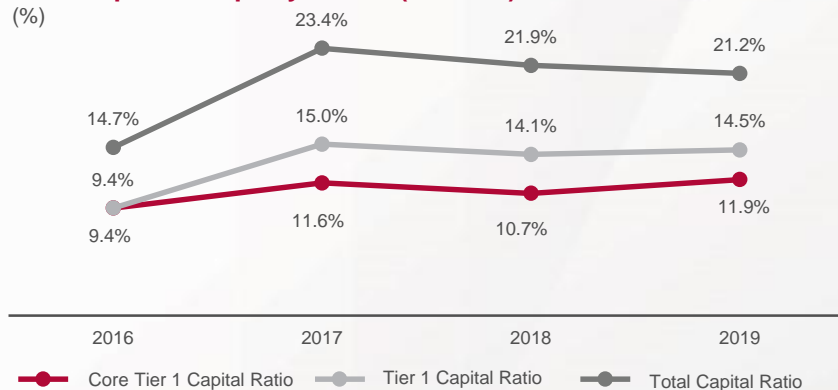
IFRS Capital Adequacy (Basel III)

(RUB bln)



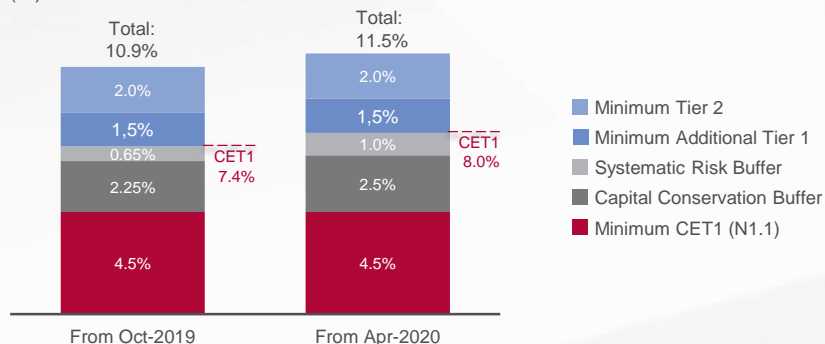
IFRS Capital Adequacy Ratios (Basel III)

(%)



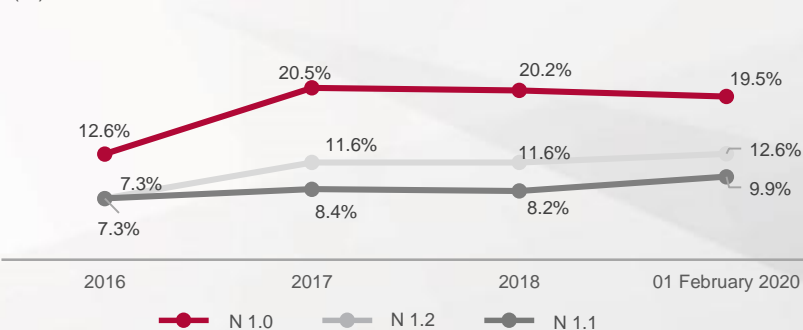
RAS Capital Adequacy Requirements

(%)



RAS Capital Adequacy Ratios

(%)



Source: CBR; RAS and IFRS financial statements.