



Webcast and Conference call 9m2020 financial results

18 November 2020

Vladimir Chubar
CEO, Member of the Supervisory Board

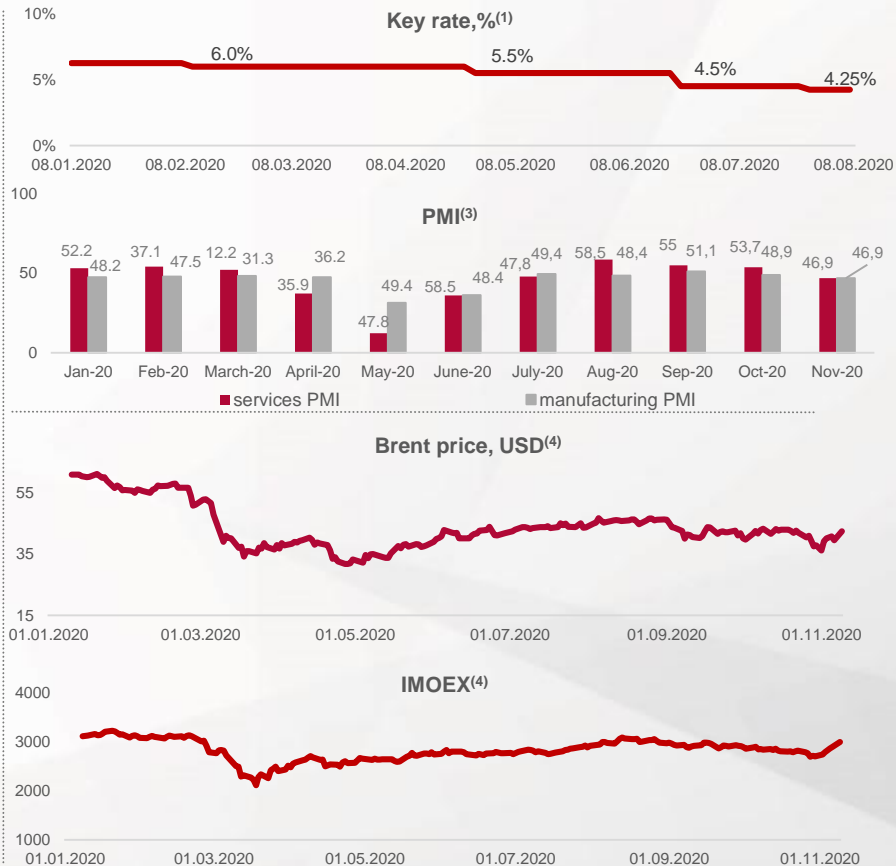
Mikhail Pavlov
CFO

Eric de Beauchamp
Senior Vice President, IR

MKB.RU

Macro environment ⁽¹⁾

- CBR anticipates Russian GDP decline in 2020 will be c. 4-5%, which is smaller than in other countries. In 2021 CBR expects sustainable recovery of national economy
- IMF⁽²⁾ forecasts 4.1% of Russian GDP decline in 2020 and 2.8% expansion in 2021
- CBR key rate at a record low level 4.25% since 24th of July 2020
- Softening of CBR requirements for credit institutions⁽¹⁾ regarding some regulatory ratios, provisions and loan repayment holidays supported credit institutions and the financial system overall during 9m2020
- PMI (Purchasing Managers' Index) indexes reflect credit and business activity stabilization following lockdown measures cancellation
- The Russian Rouble weakened against US dollar by 27% in 9 months 2020

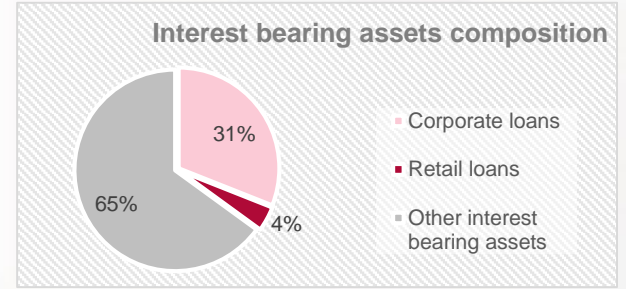


COVID-19: Support Measures

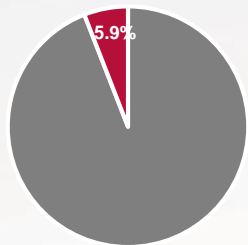
MKB focus on large corporates rather than the more affected SME and retail segments makes the bank potentially less vulnerable to the economy shocks

Borrowers not covered by the Government-approved list of companies most affected by consequences of the coronavirus outbreak, but experiencing deterioration of business indicators, may apply for restructuring of their loans subject to provision of requisite documents

MKB implements measures to support retail clients facing difficulties due to the epidemiological situation since April 2020



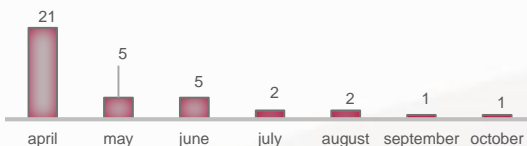
Corporate loans, incl. SME



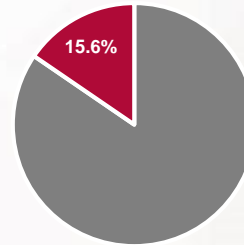
- The bank's COVID-19 affected corporate loans including SME restructuring in the period from 25th March to 01st October are **c. 5.9%** of gross corporate loan portfolio as of 30.09.2020 (VS an average 15.4%⁽³⁾ (excluding SME loans) among 33 largest Russian banks including the 11 systemically important banks as for 01.10.2020)
- The number of approved restructuring loans of corporate clients reduces from 21 clients in April to 1-2 clients in August-October
- 37** corporate clients were approved for restructuring to date⁽¹⁾ including Bank's program and CBR statements

- COVID-19-affected restructured loans in March-September 2020 under CBR statements and Bank's program

The number of approved corporate clients restructuring⁽¹⁾



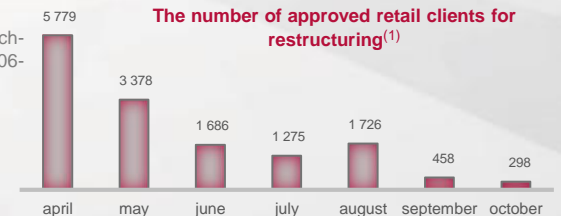
Retail loans



- The bank's COVID-19 affected retail loans restructuring in the period from 25th March to 01st November is **c. 15.6%** of gross retail loan portfolio as of 30.09.2020
- The number of approved restructuring loans of retail clients reduces from c. 6k in April to c. 0.3k in October
- c.13.3k requests of retail clients** approved for restructuring to date⁽¹⁾ (c.7% of total number of retail borrowers) including Bank's program and 106-FZ

- COVID-19-affected restructured loans in March-September 2020 under 106-FZ⁽²⁾ and Bank's program

The number of approved retail clients for restructuring⁽¹⁾



Notes: (1) Company data at 01/11/2020 (2) Russian Government has announced economic measures (Federal Law № 106 of 3 April 2020) to support individuals and individual entrepreneurs most affected by the spread of COVID-19. The Law, in particular, provides "credit holidays" for individuals, individual entrepreneurs and SMEs

(3) Source: CBR at 01/10/2020

Credit ratings update

On 10 September, 2020 **Fitch upgraded MKB Viability Rating (VR) to 'bb'**. The Issuer Default Ratings are **affirmed** at **'BB'**. The upgrade of the VR reflects sustainably improving assets quality as the share of high credit risk loans has shrunk. Fitch also upgraded Support Rating Floor to **'B+'**, reflecting higher probability of state support to privately-owned banks in Russia. This revision also captures the Bank's moderate systemic importance <https://mkb.ru/en/investor/ratings>

ESG

- MKB **co-arranged** the first-in-Russia issue of perpetual bonds compliant with **ICMA's green bond principles** for Russian Railways. The bonds were placed on Moscow Exchange on 30 September
- MKB supports **a unique fintech eco-project Trashback**, which aims to increase the share of recyclable waste and motivate individuals to act responsibly. MKB compensates to its clients participating in the project part of their costs
- Sustainability report 2019 included in the registers of GRI as **"In accordance - Core"** and Russian Union of Industrialists and Entrepreneurs
- **Educational project** for entrepreneurs launched to facilitate new businesses start as part of small businesses support initiatives of MKB
- Smart **ID-Reader technology** based on responsible digital intelligence principles launched for clients in MKB include automatic online client recognition for better quality of service and less energy consumption

Corporate news

- MKB and **Rosseti Lenenergo** made a RUB 5 bln revolving **credit facility agreement**, with RUB 2 bln already advanced in two disbursements. This debut financing transaction also evolves around documentary products and stock market operations
- In August, 2020 MKB signed a RUB 7 bln committed revolving **credit facility agreement with Metalloinvest**. The facility serves as a back-up source of liquidity for its operating companies
- MKB opened a RUB 10 bln confirmed **credit facility for Nornickel** in July, 2020. The first loan agreement signed with the world's leading producer of high-grade nickel and palladium brought this relationship to a mutually beneficial, comprehensive stage where it would also cover cash management, liquidity management and financial market operations
- In August, 2020 MKB successfully completed raising **funds from China Development Bank** in the amount of 100 million CNY. MKB became the first private Russian bank, which implemented that kind of transaction format
- MKB is **top-4 leaders** in Cbonds' league table of **domestic bond arrangers** for 9m2020. Since the beginning of this year, the Bank has conducted 58 placements of various companies with a total nominal value of c. 650 billion rubles
- In September, 2020 MKB has arranged **classic bonds of the Republic of Kazakhstan** represented by the Ministry of Finance
- In August 2020 MKB launched a new retail service format - **MKB premium**

Awards **ASIAMONEY**

- In September 2020 MKB was awarded by ASIAMONEY as Best local Bank in the Region for Belt and Road Initiative

Financial Highlights for 9m2020

Key performance highlights

Strong profit

- **Net income** increased to **RUB 17.1 bln**. The growth of net income was driven mainly by a significant increase in net interest income (by **32% yoy**) and positive trade income from operations with securities
- **NIM** went up to **2.2%** supported by net interest income growth
- **CTI** is strong for the period at the level of **29.9%**

Improving asset quality

- **NPL ratio** has decreased to the level of **3.1%** from 3.6% as of YE 2019
- **COR** decreased from 3.3% in 1Q2020 to **2.1% in 9m2020**
- Significant **securities portfolio increase** by **+61% ytd** in 9m2020 mainly due to acquisition of OFZ and currency revaluation

Income statement (RUB bln)

	9m2020	9m2019	Change, y-o-y, %
Net interest income	42.5	32.1	▲ + 32.4%
Net fee and commission income	7.6	8.5	▼ - 9.8%
Non-interest income	10.9	1.1	▲ + 928.8%
Charge for credit losses on debt financial assets	(15.8)	(3.0)	▲ + 432.0%
Net income	17.1	11.9	▲ + 43.9%
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NIM	2.2%	2.1%	▲ + 0.1 p.p.
RoAA	0.8%	0.7%	▲ + 0.1 p.p.
RoAE	13.1%	10.6%	▲ + 2.5 p.p.
CTI	29.9%	51.5%	▼ - 21.6 p.p.
COR	2.1%	0.8%	▲ + 1.3 p.p.

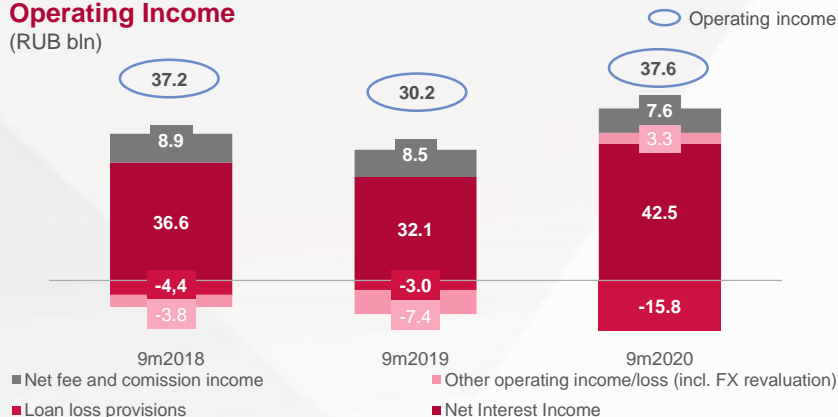
Balance sheet (RUB bln)

	3Q2020	2019	Change, ytd, %
Total assets	2,953	2,423	▲ + 21.8%
Securities portfolio	477	297	▲ + 60.7%
Loans to customers (gross)	1,012	829	▲ + 22.0%
Deposits by customers	1,474	1,340	▲ + 10.1%
Total equity	221	210	▲ + 5.0%
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NPL 90+ / Gross loans	3.1%	3.6%	▼ - 0.5 p.p.
Tier 1 ratio	12.6%	14.5%	▼ - 1.9 p.p.

Financial Results

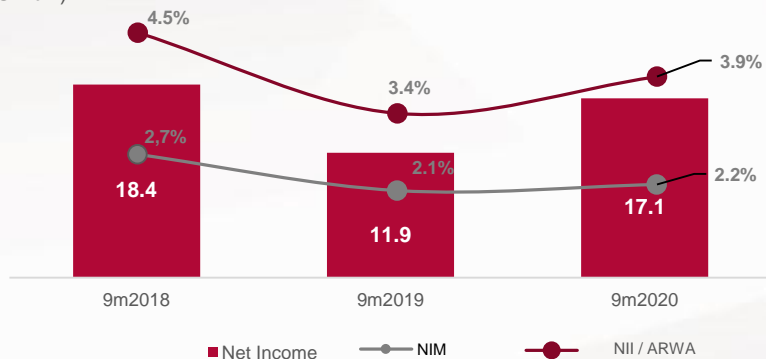
Operating Income

(RUB bln)



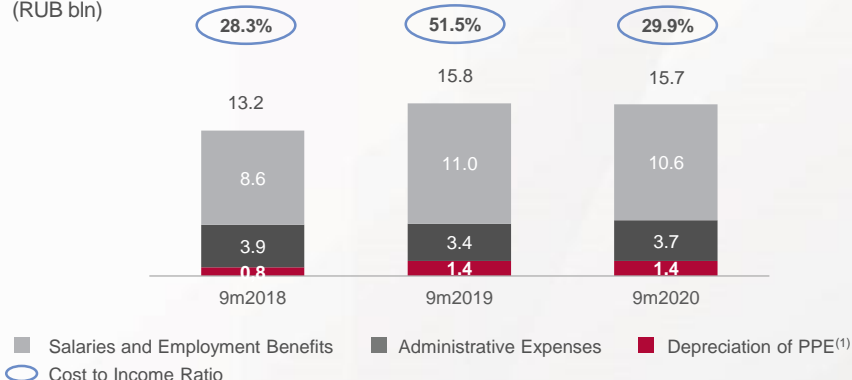
Net Income & NIM & NII/ARWA

(RUB bln)



Operating Expenses

(RUB bln)



Comments

- **Operating income** increase from RUB 30.2 bln in 9m2019 to **RUB 37.6 bln** in 9m2020 was driven by the rise of net interest income to **RUB 42.5 bln** (+32% yoy) and despite additional loan loss provisioning linked with the COVID-19 pandemic in amount of RUB 15.8 bln
- **NII/ARWA** reached **3.9%** increasing by 0.5 pp as a result of optimal usage of the bank's funding base amid overall reduction of interest rates in the Russian economy and positive effect of securities trading
- Strong operating results led to double-digit **ROE** at the level of **13.1%**

Source: Company data.

Notes: (1) Depreciation of property and equipment and right-of-use assets.

Assets Composition - Highly Liquid Assets are a Key Priority

Total Assets⁽¹⁾ (RUB bln)

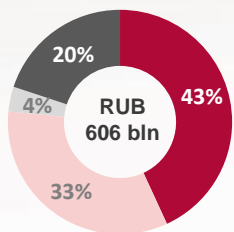
Securities

74% of debt securities portfolio (RUB 433 bln) are qualified to be pledged against borrowings from the Central bank of the Russian Federation

Deposits in Credit institutions

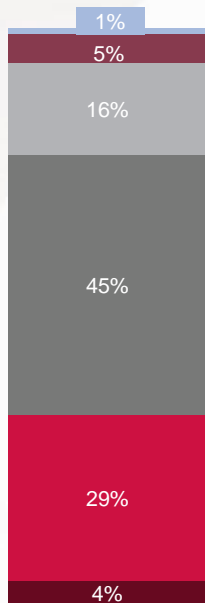
- Reverse REPO portfolio share declined from 48% to 44% of assets in 9m2020
- c.92% of securities that serve as collateral under reverse repo agreements have rating grade BBB- and above
- Reverse REPO agreements pressure on capital is close to 0

Unused liquidity sources structure⁽⁵⁾



- Unpledged securities portfolio under reverse REPO
- Own portfolio of Lombard list securities free of pledge (on-balance sheet)
- OFZ received under DIA capitalization program in 2015
- Other

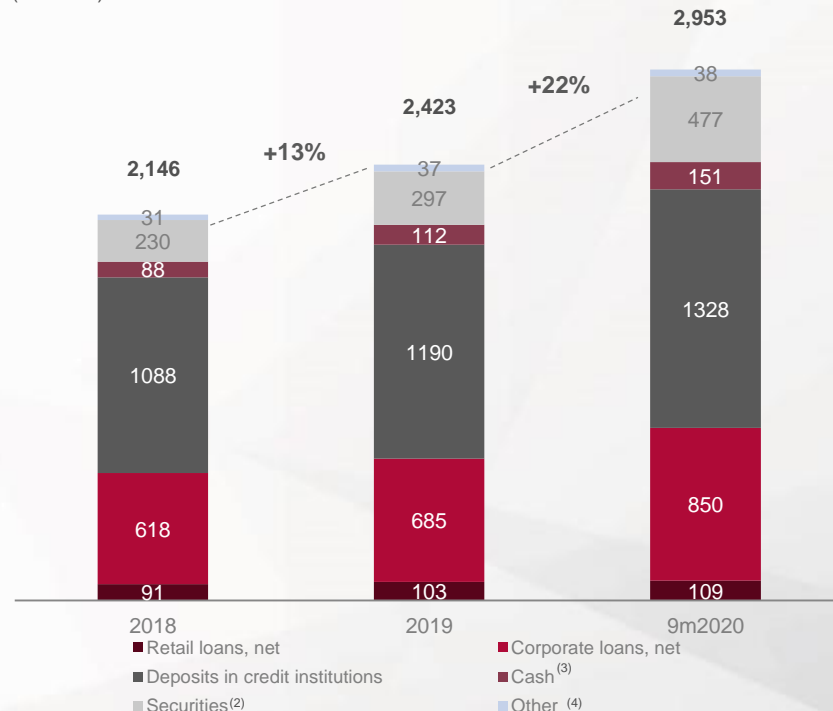
2,953



33%

- Other
- Cash
- Securities
- Deposits in credit institutions
- Corporate loans, net
- Retail loans, net

Assets Evolution (RUB bln)



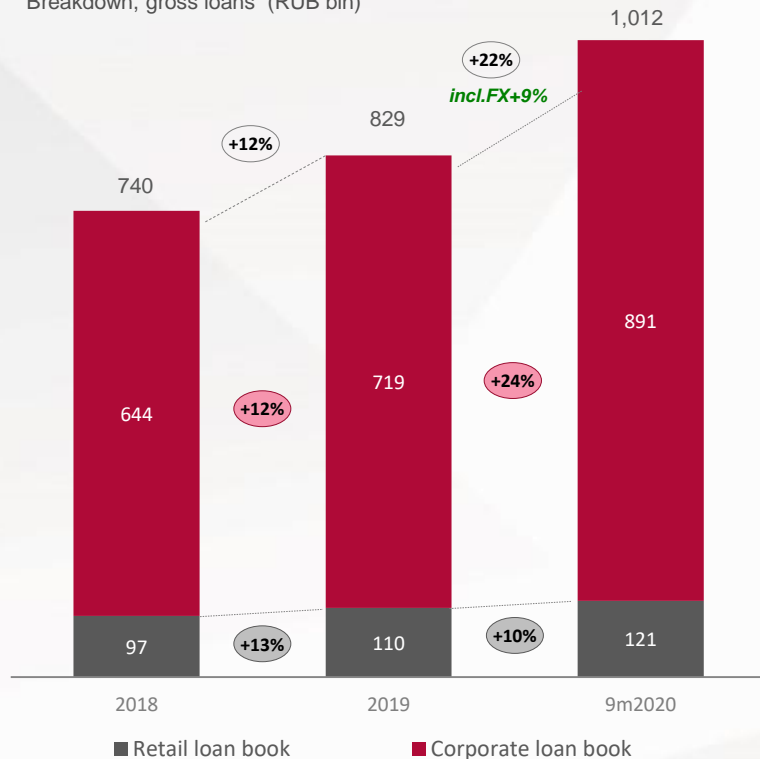
Source: IFRS financial statements; Company data.

(1) As at 30 September 2020. (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 Nostro 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 30 September 2020.

Focus on Reasonable Lending Growth

Loan Portfolio Evolution

Breakdown, gross loans (RUB bln)

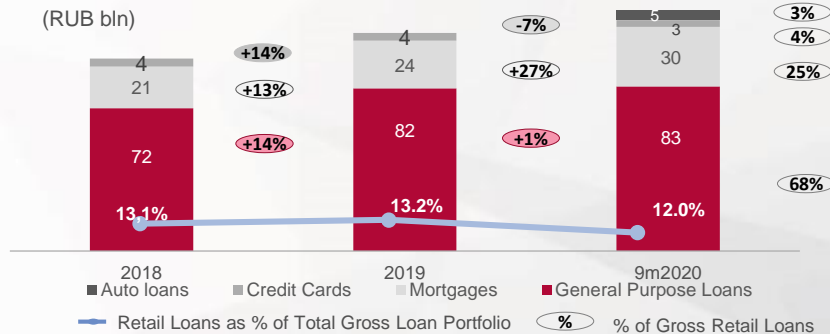


Corporate Loan Portfolio Diversification



Retail Loans Breakdown

(RUB bln)

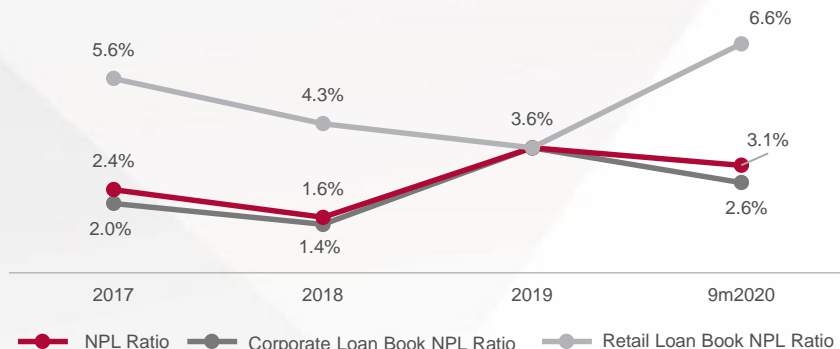


Retail loans portfolio growth in 9m of 2020 was mainly driven by mortgages (+RUB 6.3 bln) and auto loans (+ RUB 4.6 bln). **Auto loans portfolio** got significant increase from 0.034 bln RUB to 4.7 bln RUB through the acquisition JSC "Rusnarbank" in June 2020

Provisioning Approach Adapted to the New Challenges

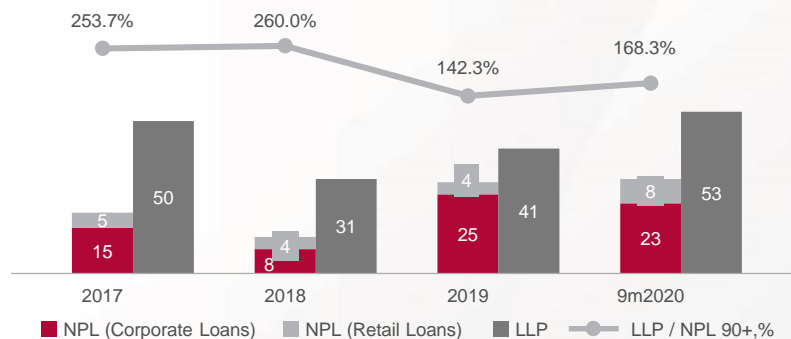
NPL Ratio

(%)



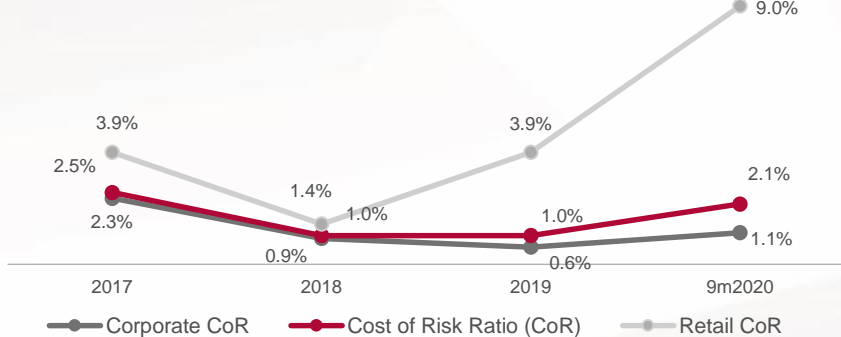
NPL Coverage

(RUB bln)



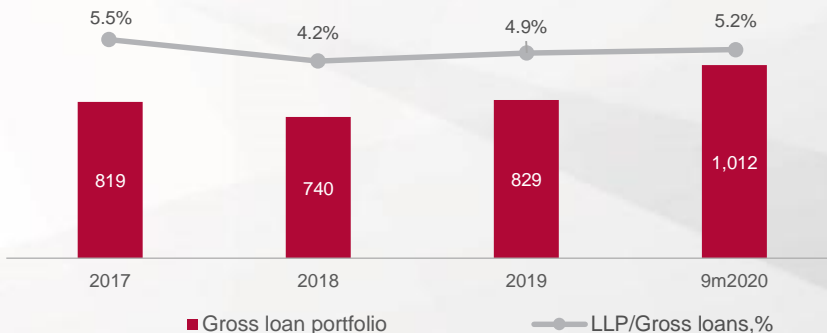
Cost of Risk

(%)



Gross loan portfolio coverage by impairment allowance

(% of Gross Loans, RUB bln)

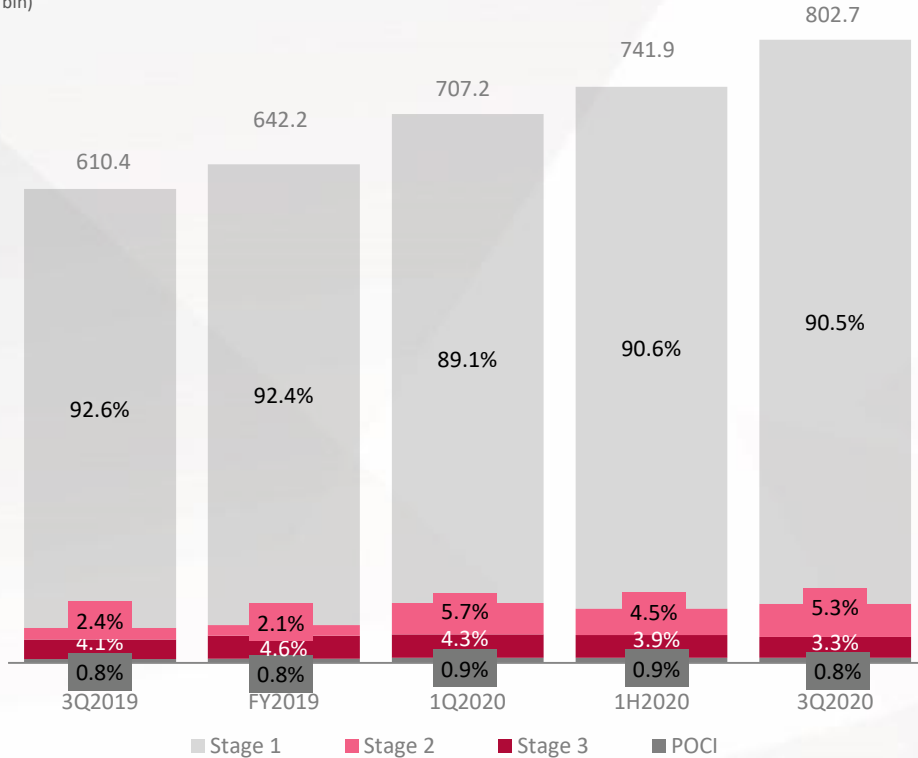


Source: IFRS financial statements; Company data.

Corporate Portfolio Evolution

Total gross corporate loan portfolio at amortized cost

(RUB bln)



3Q2020 (2Q2020)

	Total (RUB billion)	Credit loss allowance (RUB billion)	Coverage (%)
Stage 1	726.8 (672.3)	14.2 (11.9)	2.0%
Stage 2	42.7 (33.7)	3.7 (3.6)	8.7%
Stage 3	26.8 (29.1)	22.2 (23.7)	83.0%
POCI ⁽¹⁾	6.4 (6.7)	0.1 (0.1)	1.2%

Source: IFRS financial statements; Company data.

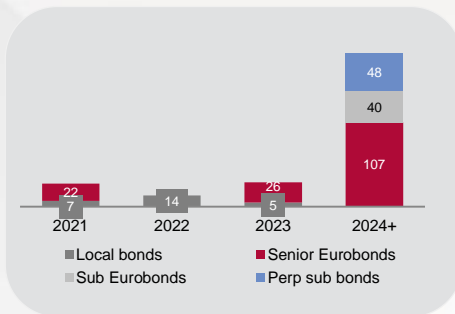
(1) POCI – purchased or originated credit impaired

Liabilities Composition

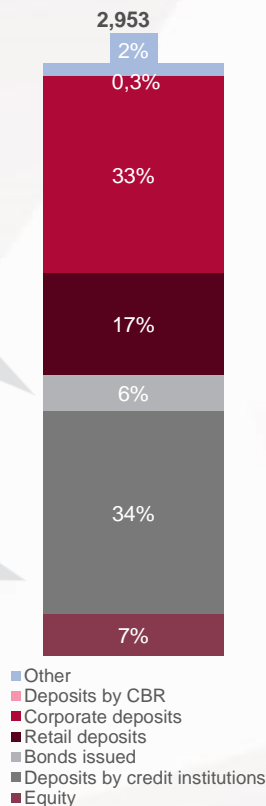
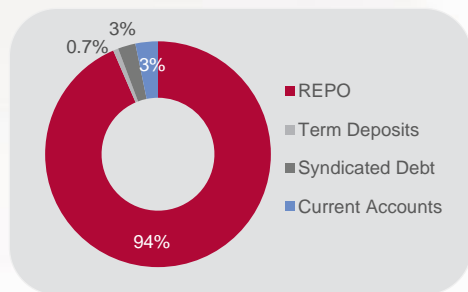
Total Liabilities and Equity

(RUB bln)

Debt Securities Repayment schedule⁽¹⁾

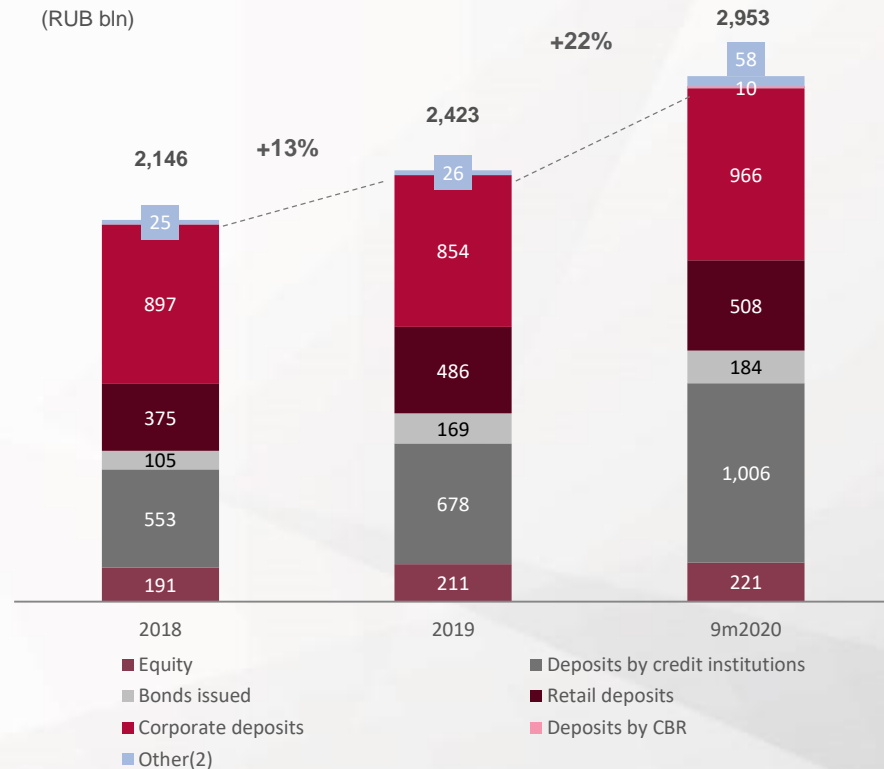


Due to Banks



Liabilities Evolution

(RUB bln)



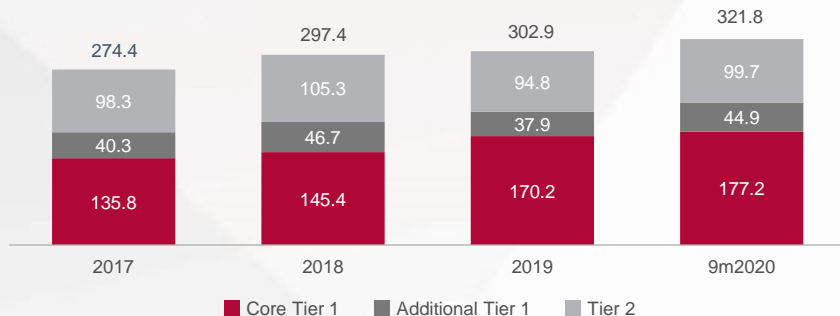
Source: IFRS financial statements; Company data.

(1) Debt securities repayment schedule as of 30.09.2020. (2) Includes Deferred tax liability, Financial liabilities measured at fair value through profit or loss and other liabilities

Sound Capital Position

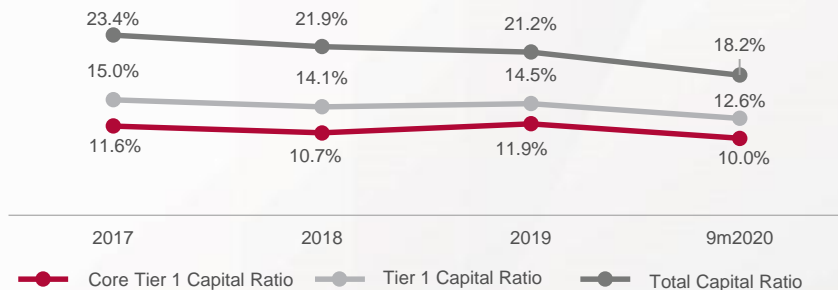
IFRS Capital Adequacy (Basel III)

(RUB bln)



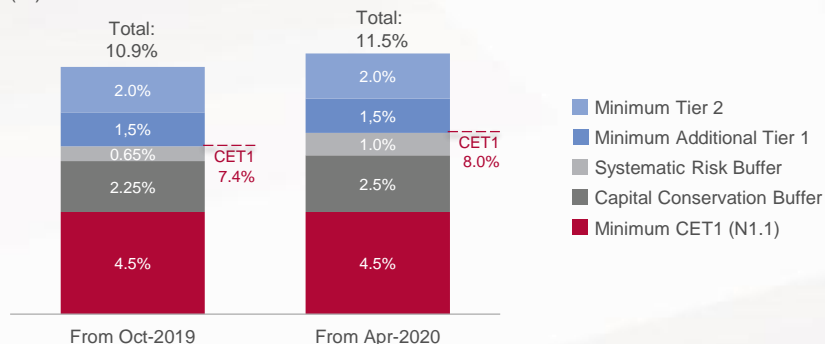
IFRS Capital Adequacy Ratios (Basel III)

(%)



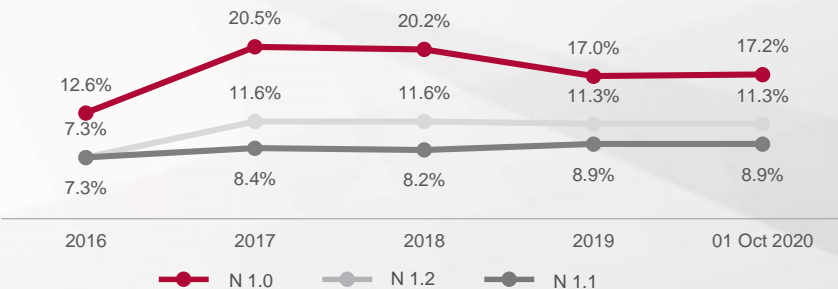
RAS Capital Adequacy Requirements

(%)



RAS Capital Adequacy Ratios

(%)



Source: CBR; RAS and IFRS financial statements.