



# 1H2021 Financial and Business Results

23 August 2021

# Today's presenters



**Eric de Beauchamp**

Senior Vice President  
Head of IR



**Vladimir Chubar**

Chairman of the  
Management Board



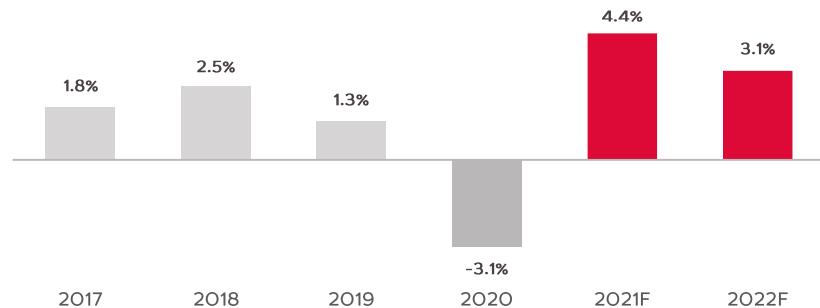
**Mikhail Pavlov**

CFO

# Positive macro outlook for 2021

## Russian GDP is expected to recover

Real GDP growth, %<sup>(1)</sup>



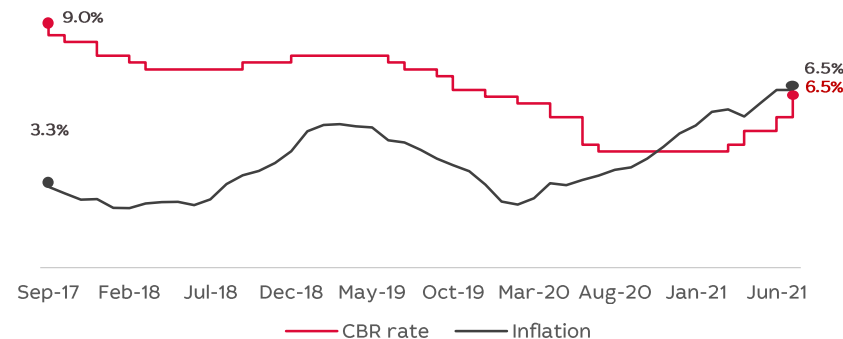
## Oil prices have reached pre-COVID levels

Brent price, \$/bbl<sup>(2)</sup>



## CBR inflation targeting policy

%



- **Strong 4.4% GDP growth rebound** is expected in 2021. The IMF has revised up the projection for Russia for this year
- Benefiting from **oil price recovery** and **surging prices for wide range of commodities**
- Gain from **interest rate hikes** for the banking sector profitability
- Recovery of investor flows into EM with a number of IPOs and issuances conducted, Russia's **IMOEX index hitting all time high** in July 2021
- **Substantial government support** aimed at mitigating economic effects of the pandemic in 2020-2021 (6% of GDP 2020)
- **Lowest public debt level** in CIS+ region (19% of GDP as of 2020) and **c.US\$ 595 bn FX reserves** (July 2021) exceeding the entire external debt stock of Russia

# Corporate and business Development

## ► CREDIT RATINGS

- In June Fitch Ratings **enhanced outlook** from «Negative» to “Stable” and affirmed MKB’s long-term credit rating at “BB”
- In July China Lianhe Credit Rating Co. **affirmed MKB’s “AA+”** Chinese national scale credit rating
- In July S&P Global Ratings **upgraded long-term issuer credit rating** on MKB to “BB” with “Stable” outlook

## ► RANKINGS

#1 among banks in RAEX Europe’s ESG ranking of Russian companies, July 2021

TOP-5 among Russian banks on sustainable development principles<sup>(1)</sup>

TOP-4 arranger in Russia<sup>(2)</sup> on DCM market

- 1st place (real sector), 2nd place (market issues excluding own issues), 3rd place (excluding private ones), 4th place (all issues)

TOP-5 Mobile app usability ranking in the Russian banking industry



## CIB

- MKB became one of the lenders of a syndicated loan to UGMK
- Development of strategic partnerships with large corporates (ROSSETI, ASKAO, Telesport)
- MKB co-arranged bonds of the Ministry of Finance of Kazakhstan bonds with a total volume of 40 billion rubles both on the Moscow Exchange and Astana International Exchange Limited (AIX)
- MKB co-arranged “dual-currency” bonds issue for VEB.RF in amount of USD 550 million - bonds are denominated in USD with settlements in RUB

## Retail business

- MKB launched mortgage lending in the regional network and exclusive partner programs with Ingrad and FSK
- MKB launched rating advisory (services provided to Sinara Transport Machines, Ingrad)
- Launch of MKB banking products for retail clients in branches of ‘Koltso Urala’ bank

## MKB-investments development

- Top-7 assets under management companies in terms of the amount of funds raised RUB5.5 bn, the trade turnover expanded to RUB269 bn (+21% ytd)

## ESG-bonds arrangement

- Green bonds of “Sinara Transport Machines”, Atomenergoprom and the city of Moscow in the amount of RUB10 bn, RUB10 bn and RUB70 bn respectively
- Social bonds for MTS PJSC in the amount of RUB4.5 bn

# ESG achievements and initiatives

## ESG Highlights

- ✓ **First ESG-linked loan for a Russian bank**, regular borrower of sustainable financing
- ✓ Successful co-arranging **first in Russia perpetual green bonds and social Eurobonds**, active participant of sustainable bonds issues
- ✓ **Integrated management system policy** containing sustainable development commitments
- ✓ First among Russian banks approved and disclosed extended **Sustainability Strategy 2021-2023**
- ✓ Updated Procedure for managing **environmental and social impact of proposed financing**
- ✓ Compliant with national and international requirements own **sustainable financing taxonomy**
- ✓ **First ESG consulting project** for the major Russian power grid company



## Awards

**First Russian bank to get ESG rating** BBB[esg] from RAEX Europe

**Sustainable Bank of the Year, Russia 2021**, Pan Finance Magazine award

## Climate impact management & Sustainable reporting

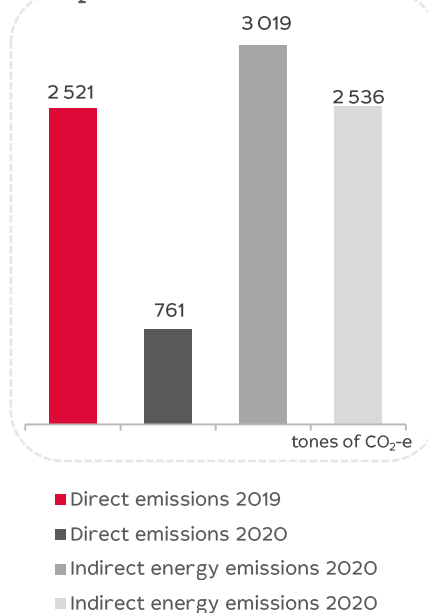
### Sustainability reporting 2020

- ✓ Assured Sustainability Report and disclosed GHG Emissions (scope 1 and 2)
- ✓ Total reduction of greenhouse gas emissions (scopes 1 and 2) and in fuel and energy resources consumption - 40%, reduction in water withdrawal - more then 50%
- ✓ "Sustainable" projects portfolio implemented by the Bank ~RUB 58.3 bln<sup>1</sup>
- ✓ Employee engagement level - 84%
- ✓ Active development of ESG management system, products and services

### Several major sustainability goals 2021

- ✓ Development and implementation of measures to reduce GHG emissions
- ✓ Initialization of the scope of GHG analysis, including Scope 3 GHG emissions
- ✓ Initialization of loan portfolio carbon footprint calculation and respective mitigating actions
- ✓ Initialization of MKB's climate risks assessment
- ✓ Supporting and influencing our corporate clients through consulting and responsible product offering

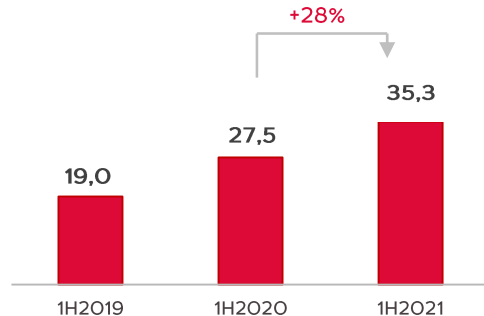
### CO<sub>2</sub>-e emissions



# Strong business performance in 1H2021

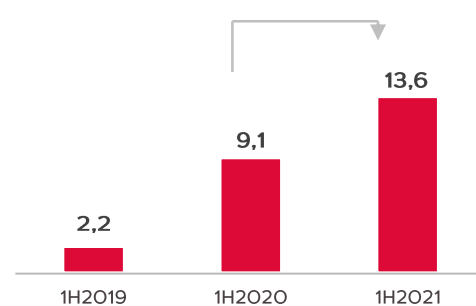
## Net interest income

RUB bn



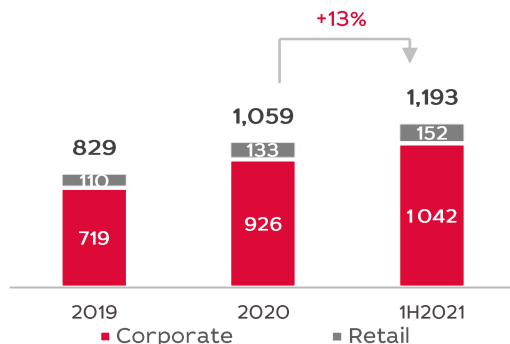
## Net income

RUB bn



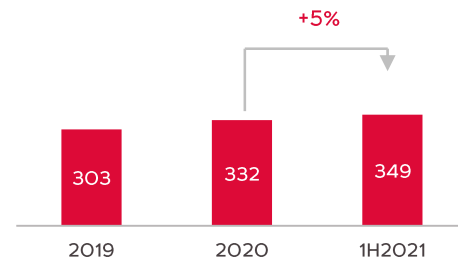
## Loan portfolio

Before provisions, RUB bn



## Total Basel Capital

RUB bn



## Key events and achievements

- **Dynamic NII** growth (+28%) amid lowest key interest rate level
- **Corporate loans** increased by **13%**
- **Mortgage** portfolio boosted by **22%**
- **Total Basel Capital** grew by **5.1%** and came in at RUB349 bn
- RAS capital adequacy ratio **N1.1** reached **9.8%**



## Awards

Global Banking & Finance Awards-2021: "Best Investor Relations Bank Russia 2021" and "Banking Group Brand of the Year Awards Russia 2021"

Forbes' list of the World's Best Banks, #2 among fifteen best Russian banks

The Forbes Global 2000 rating for the third year

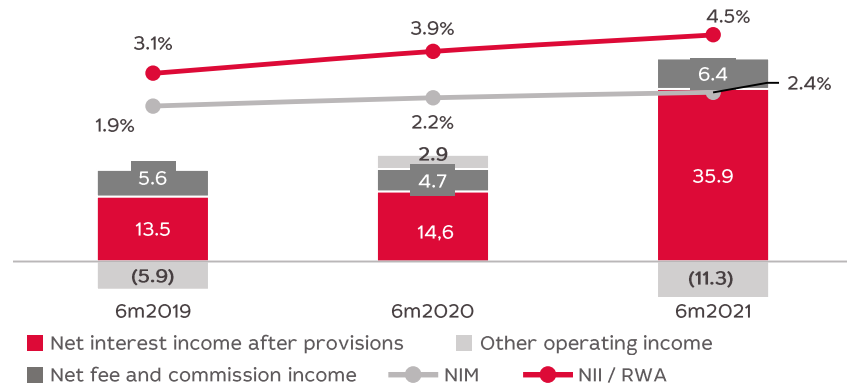




# Strong operating efficiency and profitability

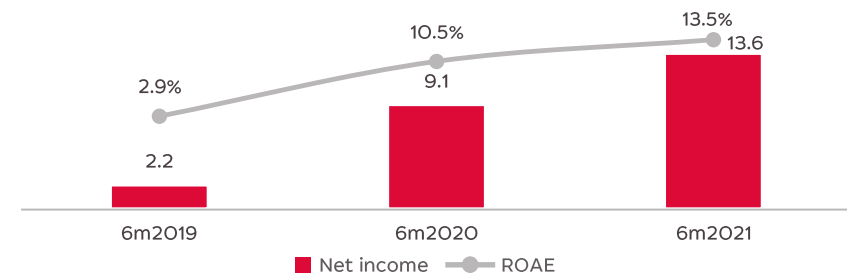
## Operating Income and NIM

RUB bn



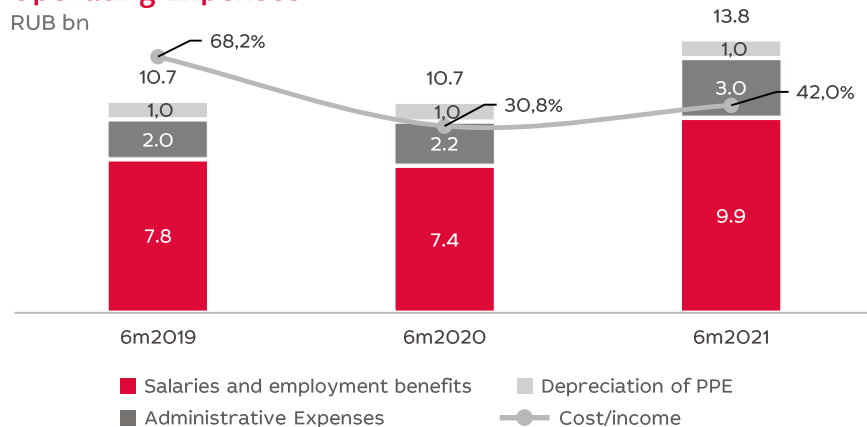
## Net Income & ROAE

RUB bn



## Operating Expenses

RUB bn



## Highlights:

**40%**

Increase in operating income was driven by recovery of credit losses on debt financial instruments amid the growth of NII (RUB 35.3bn, +28% yoy) and Net F&C income (RUB 6.4bn, +35.2% yoy)

**2.4%**

NIM has improved in 1H2021 by 20 b.p. as yields on assets grew faster than the cost of liabilities in the context of the growing key rate

**42%**

Cost / income ratio is slightly higher of long-term levels

**13.5%**

ROAE is at sustainable level

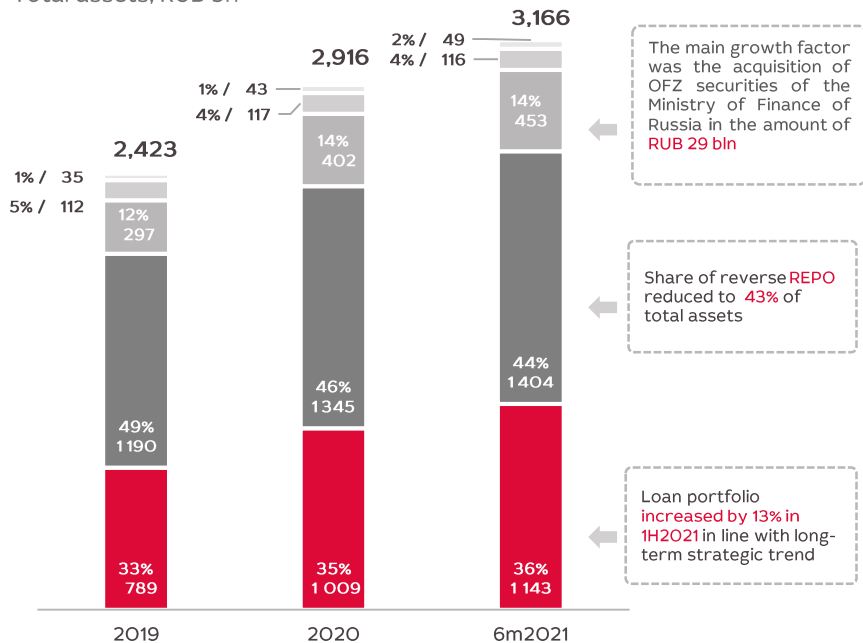
Source: IFRS Financial Statements

Notes: (1) Operating income excluding charge for credit losses on debt financial assets, net (loss) gain on loans to customers at fair value through profit or loss and impairment gain (losses) on other financial assets, credit gain (losses) on other financial assets and credit related commitments and other provisions.

# Evolution of assets and liabilities

## Strong asset growth

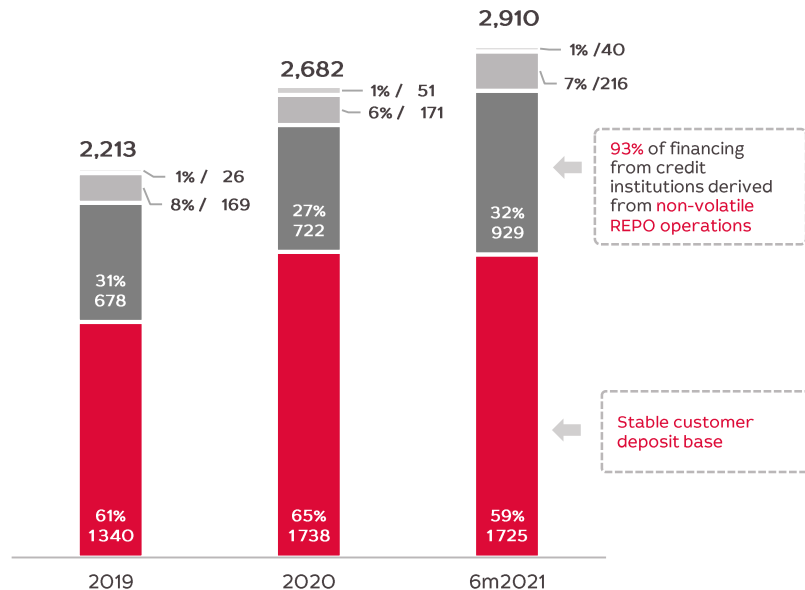
Total assets, RUB bn



■ Loans to customers
 ■ Due from credit and other financial organizations
 ■ Securities<sup>(1)</sup>
■ Cash<sup>(2)</sup>
■ Other<sup>(3)</sup>

## Diversified funding

Total liabilities, RUB bn



■ Customer deposits
 ■ Due to credit institutions
 ■ Debt securities issued
 ■ Other<sup>(4)</sup>

Source: IFRS financial statements.

Notes: (1) Include trading financial assets less derivative financial instruments and investment financial assets. (2) Includes cash on hand, correspondent account with the CBR and Nostro accounts with other banks. (3) Includes obligatory reserves with the CBR, investments in associates, property and equipment, deferred tax asset, derivative financial instruments, other assets. (4) Includes deferred tax liability and other liabilities.



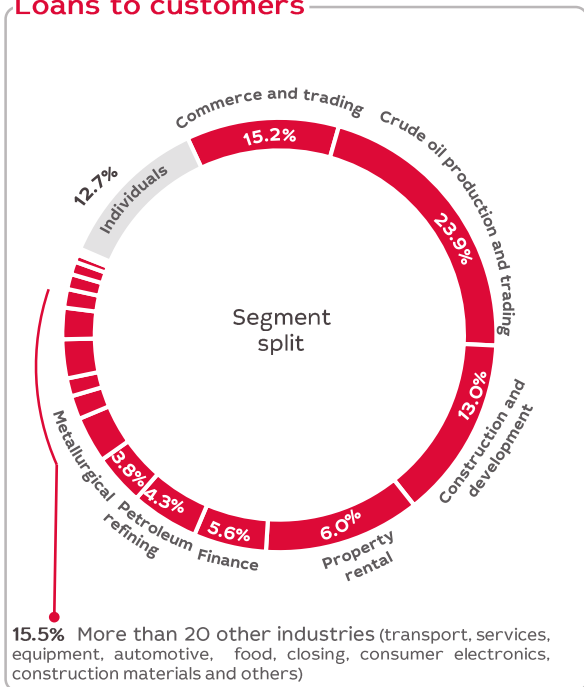
# Total assets composition

**RUB 3,166bn**

As of 30 June 2021



## Loans to customers



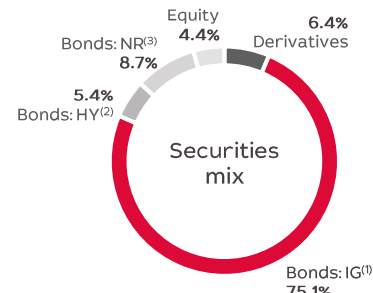
## Deposits in credit inst.

**c.94%**

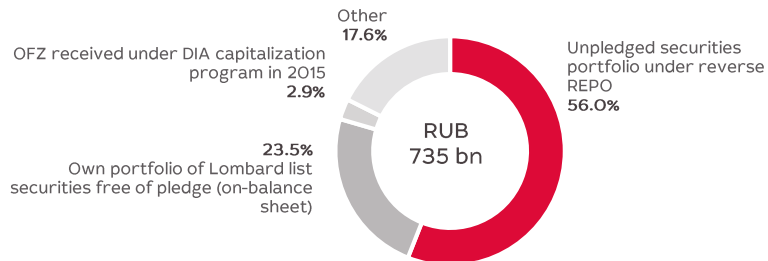
receivables under reverse sale and repurchase agreements are liquid securities of investment-grade

Ratings are based on Fitch, Moody's and Standard & Poor's rating systems

## Securities



## Unused liquidity sources



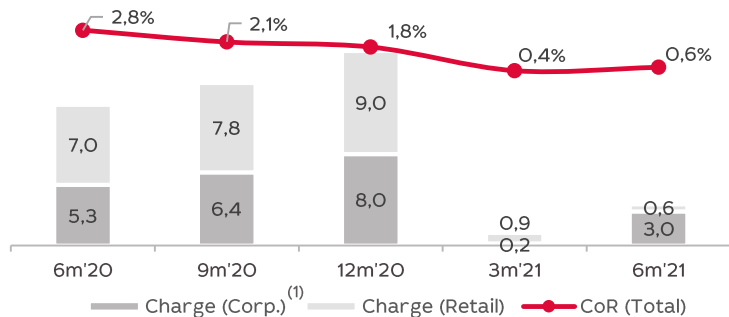
Source: IFRS Financial Statements; Company data.

Notes: (1) Investment grade. (2) High yield. (3) Not rated.

# Asset quality metrics

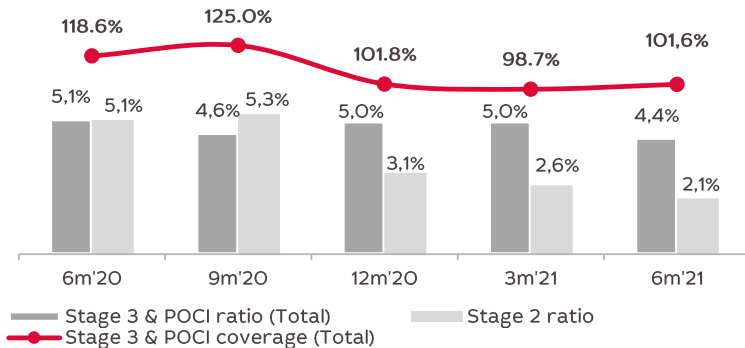
## Charge for credit losses and cost of risk

%, bln RUB



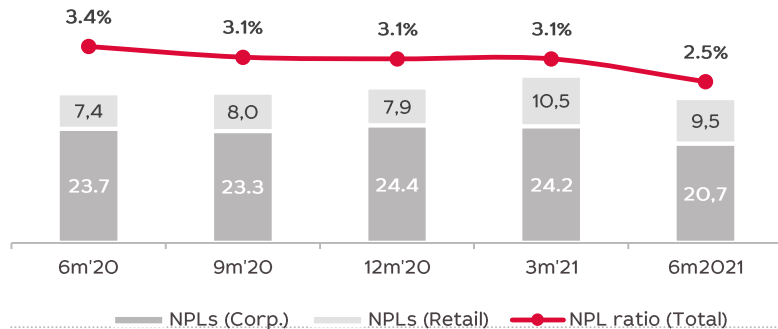
## Stage 2, 3 & POCI ratio and coverage

%



## NPLs and NPL share

bln RUB, %



## Highlights:

Low levels of COR were empowered by the growth of high-quality loan portfolio and significant decrease of provision charge in 1H2021 amid macro-adjustment models update on the back of the rapid recovery of the Russian economy

A noticeable improvement in the asset quality of the loan portfolio: sustainable decrease of STAGE 2 & 3 and NPL

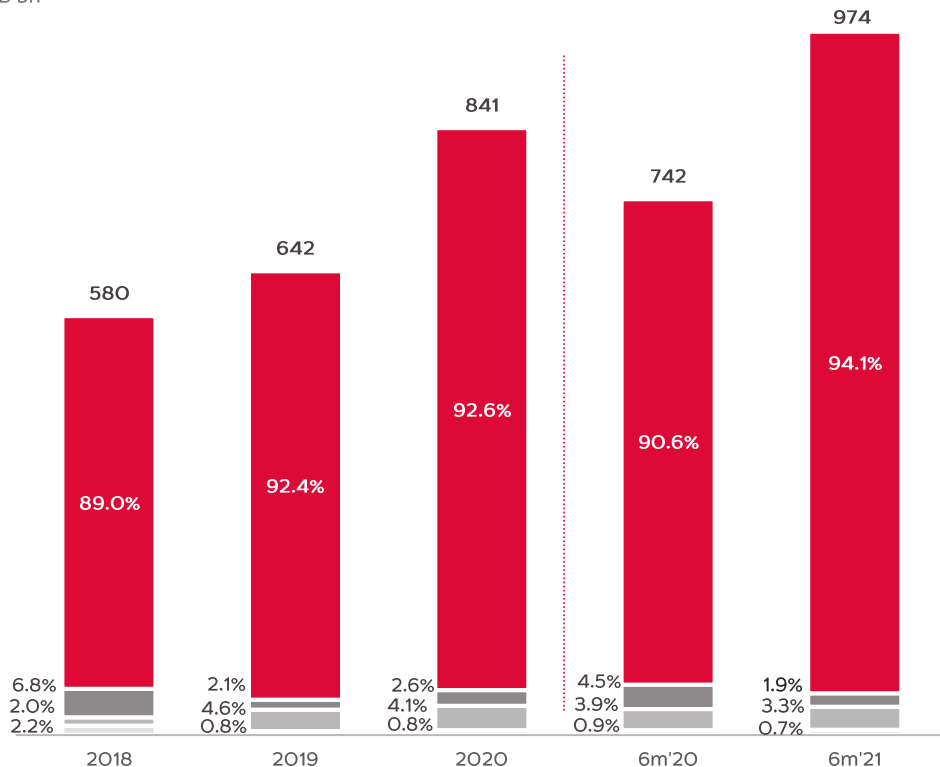
Source: IFRS financial statements; Company data

10 Notes: (1) Includes net gain/loss on loans to customers at FVTPL.

# Corporate portfolio quality evolution

## Total gross corporate loan portfolio at amortized cost

RUB bn



## Stages year-to-date dynamics

RUB bn

	Total	Allowance	Coverage <sup>(1)</sup>
<b>Stage 1</b>			
6m2021	916.3	10.8	1.2%
2020	778.7	10.4	1.3%
<b>Stage 2</b>			
6m2021	18.5	0.9	5.1%
2020	21.5	1.3	6.1%
<b>Stage 3</b>			
6m2021	32.3	25.5	78.9%
2020	34.1	25.4	74.4%
<b>POCI</b>			
6m2021	6.9	-	-
2020	6.5	-	-

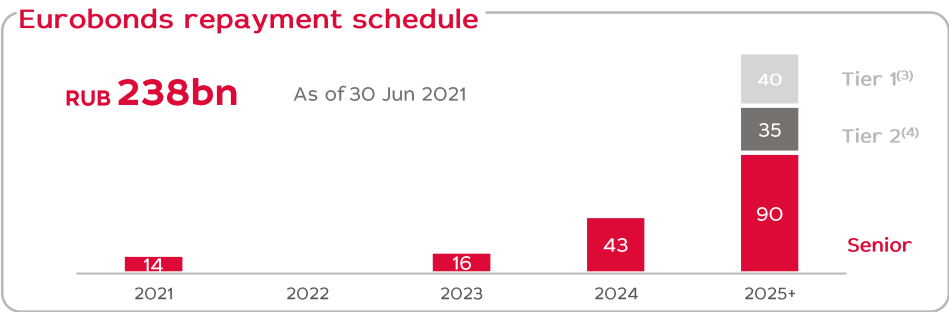
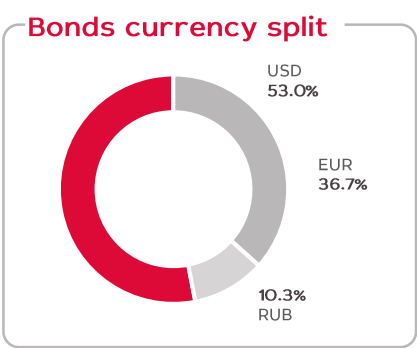
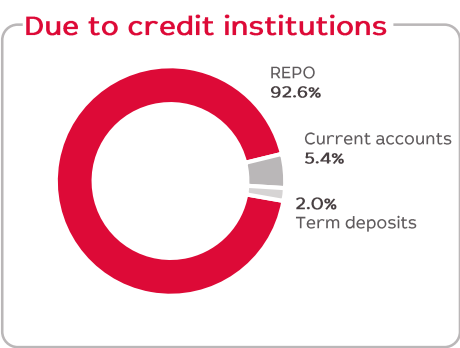
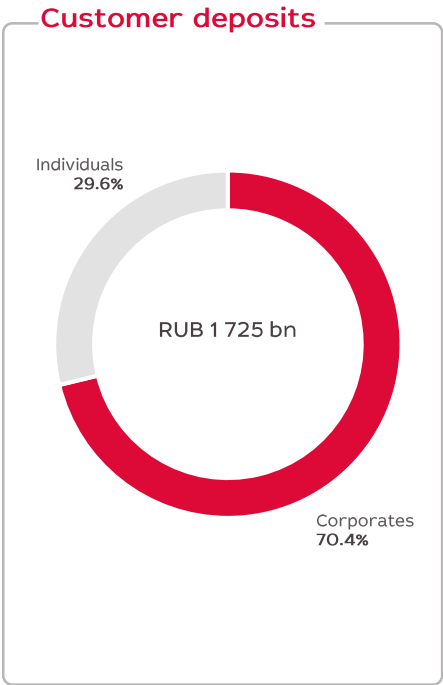
Source: IFRS financial statements; Company data

11 Notes: (1) Calculated as allowance related to specific stage divided by total amount of corporate loan portfolio classified under specific stage.

# Total liabilities and equity composition

**RUB 3,166bn**

As of 30 June 2021

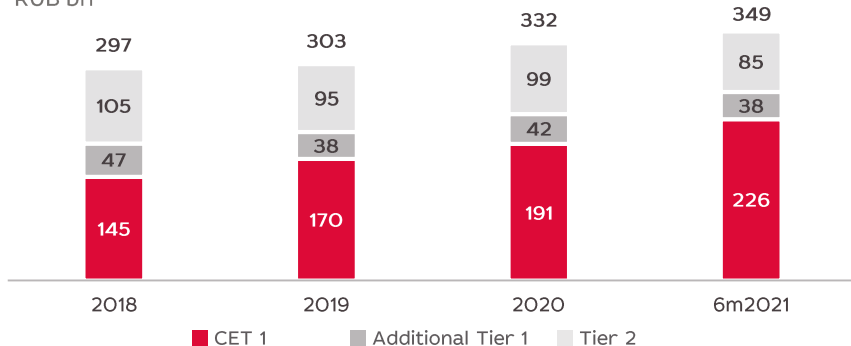


Source: IFRS Financial Statements; Company data; public sources.  
Notes: (1) Includes debt securities issued. (2) Includes deferred tax liability and other liabilities. (3) With a call option embedded: first call date in Nov 2022, and then at every coupon date at the issuer's discretion. (4) With a call option embedded: first call date in Oct 2022, and then at every coupon date at the issuer's discretion.

# Sound capital position

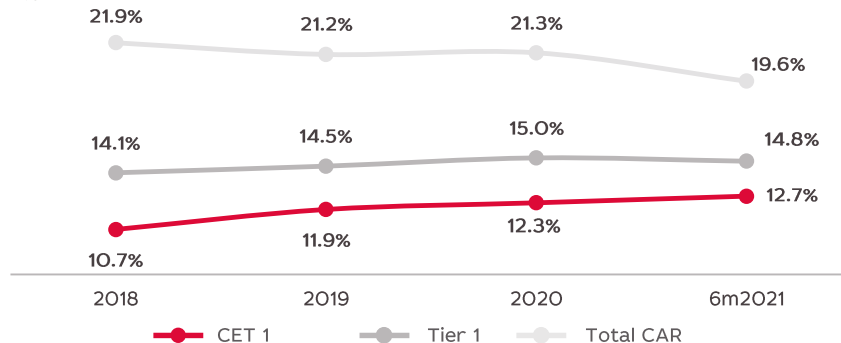
## IFRS capital adequacy (Basel III)

RUB bn



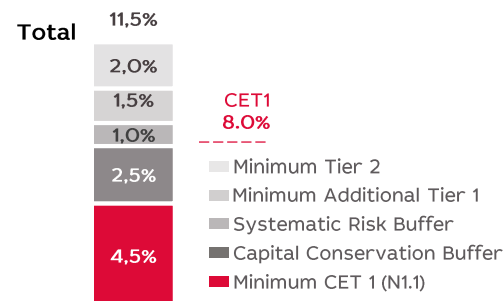
## IFRS capital adequacy ratios (Basel III)

%



## RAS capital adequacy requirements

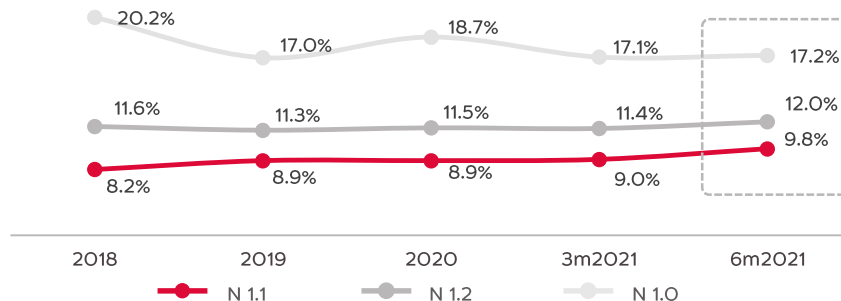
%



The CET1 capital ratios reached 9.8% in July amid share capital raising in the amount of RUB22.7 bn, the improvement of loan portfolio quality and Ruble strengthening

## RAS capital adequacy ratios

%



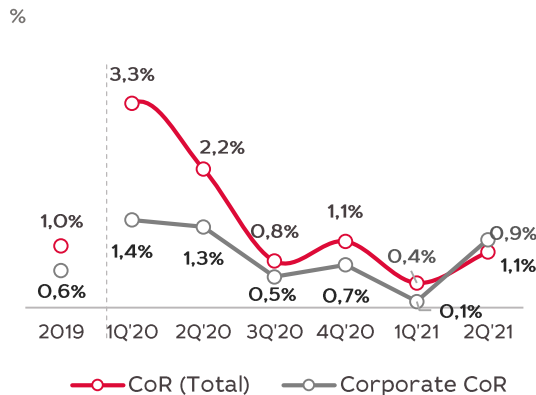
Regulatory capital composition

## Appendix

# Resilient asset quality underpinned by conservative risk approach

- Conservative approach to credit risk before COVID and proactive customer support measures allowed to minimize negative impact of COVID

## Quarterly CoR dynamics



- Focus on large corporates makes MKB potentially less vulnerable to economic shocks
- Wide support measures - mostly represented by bank's own programs - are favorable for the quality of loan portfolio
- Preventively created provisions during 1Q'20 in view of the COVID-19 outbreak

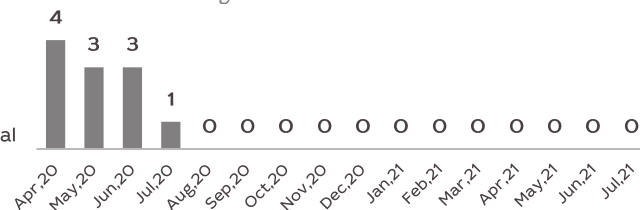


## Corporate segment

**RUB 50.6bn** total amount of COVID-related restructurings<sup>(2)</sup>

**5.0%** Share of COVID-related restructured loans in the total corporate loan portfolio<sup>(1)</sup>

Approved corporate restructurings by month  
# of restructurings

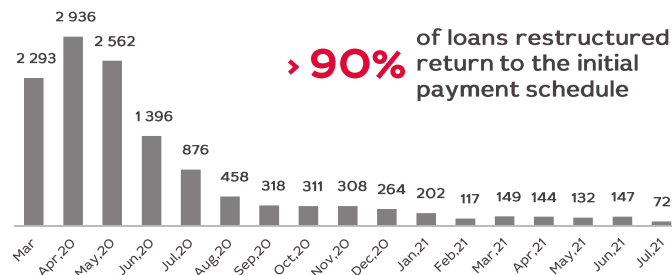


## Retail segment

**RUB 1.5 bn** restructurings including COVID-related during 7m2021

**RUB 13.4 bn** Total amount of restructurings including COVID-related in 2020

Approved retail restructurings by month  
# of restructurings



**> 90%** of loans restructured return to the initial payment schedule