

## Operating Expense

As of 31 December 2018, the bank's operating expense increased by RUB 1.8 bln, or 9.3%, to RUB 21.2 bln from RUB 19.4 bln as of 31 December 2018. This was primarily due to increases in salaries and employment benefits.

	2019		2018	
	RUB mln	%	RUB mln	%
Salaries and employment benefits	14,167	66.7%	12,290	63.3%
Administrative expenses	5,155	24.3%	6,085	31.3%
Depreciation of property and equipment	1,903	9.0%	1,051	5.4%
<b>Operating expense</b>	<b>21,225</b>	<b>100.0%</b>	<b>19,426</b>	<b>100.0%</b>
<b>Cost-to-income ratio (%)</b>		<b>51.6%</b>		<b>29.8%</b>

### Salaries and Employment Benefits

Salaries and employment benefits increased by RUB 1.9 bln, or 15.3%, to RUB 14.2 bln for the year ended 31 December 2019 from RUB 12.3 bln for the year ended 31 December 2018. This increase was primarily due to salary increases resulting from the overall development of the bank's business and growing competition among employers.

### Administrative Expenses

For the year ended 31 December 2019, MKB's administrative expenses decreased by RUB 0.9 bln, or 15.3%,

to RUB **5.2** bln

from RUB 6.1 bln for the year ended 31 December 2018.

The decrease primarily reflects a more than fivefold reduction, by RUB 1.0 bln, in occupancy expenses in 2019 due to the new, IFRS 9-related accounting rule.

## Net Income

Net income for 2019 was RUB 12.0 bln. It fell largely because the rouble exchange rate continued to climb in 4Q2019, which was reflected in the FX-nominated perpetual subordinated Eurobonds revaluation, and because net interest income shrank while risk indicators remained at their 2018 levels.

### Net Income, RUB bln

