

2.3 Investment banking business

Share in total assets	59%
Share in deposits	29%
Share in interest income	54%
Share in comprehensive income	54%

KEY RESULTS OF 2019:

The bank notably solidified its positions in main areas of investment banking in 2019:

- It was ranked the 3rd best arranger for the non-financial sector in 2019 by Cbonds;
- It was ranked the 4th arranger of market issues in 2019 by Cbonds, having arranged more than 80 bond issues for corporate customers;
- It became a top-5 local repo market operator by trading volume on Moscow Exchange;
- Mkb private bank was recognised as the Start of the Year by SPEAR'S Magazine at its Russia Wealth Management Awards 2019;
- MKB continued working on strengthening its brand in the investment banking market by attending the SPIEF, and in Kazakhstan and Uzbekistan by holding a series of non-deal road shows.

MKB's investment banking team builds long-term relationships with its customers and offers them an ever-expanding product range for successful development of their business. Capitalising on its wide sectoral and product expertise, the bank can provide all necessary services and infrastructure to its customers in the shortest time.

After MKB's investment banking business was launched, a lot was done to diversify its repo portfolio and its own operations, while its capabilities for working with foreign counterparties in the financial market were significantly enhanced.

The bank solidified its competitive advantages in 2019, putting in place a diversified range of investment products and instruments, of which the key ones are:

- Operations in debt capital markets (DCM);
- Repo transactions;
- Hedging of currency, interest rate and commodity risks;
- Operations in the foreign exchange market;
- Synthetic finance;
- Structured finance;
- Brokerage services;
- Securities trading in the exchange and over-the-counter markets, including leveraged trading;
- Option programmes;
- Operations in the equity capital markets (ECM);
- Advice on mergers and acquisitions (M&A).

Stronger competitive advantages of MKB's investment business are partly attributable to the synergy with SOVA Capital. Thanks to strategic design and optimisation of internal processes, the bank expanded the list of counterparties in main areas of business and showed a much stronger financial result.

Key Competences

INDIVIDUALISED APPROACH

Non-standardised solutions

Working with broad base of corporate customers, IB seeks to accommodate their individual needs rather than offer standardised solutions for their transactions

HIGH-SPEED DECISION-MAKING

Efficient setup of internal processes

Organisational structure allows for prompt review of transactions and delivery of good-quality indicative offers to customers

EXPERTISE

Sectoral coverage and expertise

Wide coverage of industries and sectoral expertise allow IB jointly with Sova Capital to offer good-quality comprehensive solutions for businesses in Russia, CIS and Europe

WIDE PRODUCT RANGE

Ever widening product range

Timely introduction of new products and services for customers and partners.

PROPER RISK ASSESSMENT

Infrastructure and resources

Bank has all requisite infrastructure and resources to analyse and manage market and credit risks

BANK AS LONG-TERM PARTNER

Customised solutions for customers

IB offers comprehensive and long-term solutions for customers

Debt Capital Markets (DCM)

In 2019, MKB arranged more than 80 bond issues for such corporate customers as Russian Railways, Gazprom, Rosseti, Gazprom Neft, Russian Post, X5 Retail Group and others, with the nominal value totalling about RUB 900 bln. Compared to 2018, MKB's market share increased from 4% to 11%.

MKB continued development of its business in the CIS. The bank organised the first placement of bonds of a Belarusian issuer (Eurotorg) on the Russian market. MKB also

acted as a rating consultant for Kazakhstan Temir Zholy (KTZ). In December 2019, KTZ was assigned the highest kzAAA rating by Expert RA.

MKB's Investment Block actively increases retail customer access to debt capital markets. This year, it issued a structured product, ETSB (Exchange-traded structured bonds).

Ranking of Russian Bond Arreangers, 2019 (Market Issues)

№	Investment Bank	Volume, RUB mln	Market share, %	Number of issuers	Number of issues
1	GAZPROMBANK	325,158	16.13	50	93
2	SBERBANK CIB	279,726	13.87	48	73
3	РЕГИОН ГРУППА КОМПАНИЙ	231,281	11.47	30	56
4	MKB	229,475	11.38	46	86
5	SOVCOMBANK	206,356	10.23	57	89
6	VTB Capital	202,056	10.02	51	76
7	ROSBANK	92,446	4.58	17	25
8	OTKRITIE	78,642	3.90	29	36

№	Investment Bank	Volume, RUB mln	Market share, %	Number of issuers	Number of issues
9	Alfa-Bank	74,212	3.68	24	33
10	BCIS FINANCIAL GROUP	67,442	3.34	31	42
11	Raiffeisen BANK	63,697	3.16	21	34
12	Russian Agricultural Bank	47,830	2.37	11	15
13	UniCredit Bank	33,399	1.66	11	15
14	ББPP	18,349	0.91	5	6
15	PSB	16,244	0.81	3	5

Source: Cbonds.ru

Financing Secured by Liquid Assets (REPO)

In 2019, the bank strengthened its leading position in the top-5 ranking of REPO market operators in all arrangements:

- The volumes of structured finance were increased through the development of existing partnerships and the creation of new ones with the country's largest holdings;
- The customer base for direct and reverse repo transactions was expanded;
- A market-making agreement was signed with the Moscow Exchange in REPOs with CPC (clearing participation certificates).

Currency Derivative Instruments and Interest Rates

Strengthening the presence of derivative financial instruments in the market:

- Doubling of currency hedging operations and interest rate risks for corporate customers;
- Implementation of a single pool;
- Implementation of share basket option, barrier option, CBR's key rate swap, dual currency deposit.

Now, MKB:

- Actively expands its counterparty base;
- Expands crossings with the largest foreign and Russian banks.

Foreign Exchange (FX)

The bank introduced a new, modern electronic trading platform (MKB Exchange) which allows its customers to complete their own foreign exchange transactions at the best rates. The core of the platform is a quotation aggregator, which allows customer to create their own better-quality quotation feed based on quotations from counterparty banks and Moscow Exchange. The bank also started feeding quotations to customers in Bloomberg.

MKB's investment business continued to improve the quality of services to retail customers: this year, the volume of retail foreign exchange transactions increased by 12%.

Brokerage Services

Development of the bank's brokerage platform led to the following results:

- Growth of the customer base;
- Introduction of new products and services for both corporate customers and individual investors.

Development of Depository services:

- Introduction of new tariffs;
- Automation and simplification of internal processes.

STRENGTHENING THE BANK'S POSITION IN THIS AREA WAS ENSURED BY THE FOLLOWING INNOVATIONS:

- Implementation of REPOs with CPC (clearing participation certificates) and CC (central counterparty);
- Implementation of direct access to the US market (New York Stock Exchange (NYSE), NASDAQ), access to a German electronic trading system Xetra, a Pan-European stock exchange Euronext (EN), London Stock Exchange (LSE), Hong Kong Stock Exchange (HKSE) and Warsaw Stock Exchange (WSE) through voice brokerage;
- Implementation of a transaction mechanism with partial collateral and risk profiling;
- Implementation of a sub-brokerage model in brokerage;
- Organisation of DMA-access for customers to the foreign exchange and derivatives markets;
- Automation and optimisation of basic calculations and processes.

Private Banking

Strengthening of mkb private bank:

- Rebranding: creation of the mkb private bank brand;
- Mkb private bank was awarded Start of the Year in SPEAR'S Russia Wealth Management Awards 2019;
- Launch of a new site of the subdivision, customisation of the application;
- Running a range of advertising campaigns.

The mkb private bank package for wealthy customers includes a range of banking and investment services:

- Addressing everyday financial and non-financial targets;
- Achievement of long-term life goals;
- Competent wealth management;
- Investments in various products:
 - In Russian and foreign markets;
 - Premium banking service;
 - Individual insurance programmes;
 - Individual pension programmes.

Mkb private bank's strategy centres on a comprehensive customer service model based on the Group's product capabilities. It is focused on various customer needs related to the rational utilisation, protection, increase and hereditary transfer of wealth. The ability to maintain a dialogue with each customer on the whole range of their life goals and translate them into financial solutions is the key competence of mkb private bank managers.