

## Lending

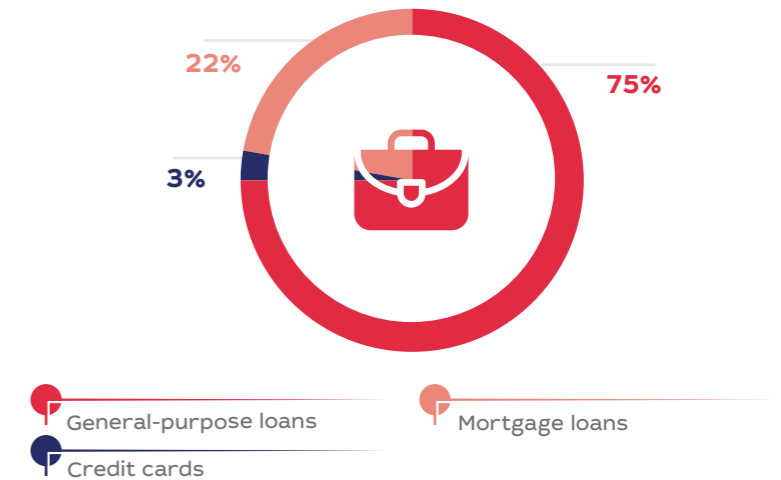
In 2019, the bank adjusted its retail business development strategy, leading to the 14% growth of the retail loan portfolio to RUB 109.8 bln.

In order to mitigate its risks, the bank works with a reliable customer base: its target segments are its existing customers, payroll customers, employees of its corporate customers, employees of the public sector and customers with a stable, positive credit history.

For efficient risk management, the bank uses the Risk-Based Pricing methodology, which allows segmenting customers by various criteria in order to make the most effective price offer.

The bank offers its customers innovative technologies for remote submission of loan applications, thus reducing operating costs.

Retail loan portfolio structure



## General-Purpose Loans

General-purpose unsecured loans are and, pursuant to the current strategy, are expected to remain, the main driver for the bank's retail business in the future.

The bank offers its clients the chance to finance various purchases and other activities, with maturities ranging from 6 months to 15 years.

The bank also offers insurance contracts processing services in respect of its consumer loans, partnering with insurance market leaders.

## Mortgage Lending

Mortgage lending is a priority area of the retail business.

The bank offers residential and commercial mortgages. Mortgage loans may be used to buy apartments both in primary and secondary housing markets.

As at end-2019, the bank's gross mortgage portfolio amounted to RUB 23.7 bln, or 22% of the total retail portfolio. Loans are mainly issued for purchases in the primary housing market. A part of the retail portfolio (including RUB 2.9 bln of mortgage loans) was reassigned to the private banking business.

In 2019, the share of general-purpose loans in the retail portfolio remained unchanged at

**75%**

while their gross amount increased by 14% to reach

RUB **82.4** bln

## Card Products

In 2019, the bank started creating a new card image and completely updated its product range of debit and credit cards, which is based on a segmented approach to the customer base and fully meets market demands. The multicurrency support for cards was key update. The bank also revised its approach to sales of card products and analytics of their metrics, launched a new incentive system, and developed a portfolio management model.

In 2019, the bank focused on increasing the flow of regular payments to its cards. It developed and implemented new payroll cards and optimised the procedures for managing payroll customers.

To achieve maximum reach of the target audience, the bank made an arrangement with the Pension Fund concerning the remote work stations of customer services and entered into agreements with the Pension Fund's divisions in all regions of the bank's presence. MKB began active cooperation with the Union of Russian Pensioners in improving the financial literacy of old people and providing them the best banking services. A function to transfer pensions to the bank online (through the Public Services (Gosuslugi) Portal) was implemented.

The bank also started expanding its channels for selling card products by implementing an agent scheme for BP cards at filling stations.

In 2019, the bank updated its loyalty programme for the new card range, expanded the list of programme levels and provided customers with greater opportunities for obtaining loyalty tools.

The bank's portfolio of active<sup>1</sup> cards expanded from 253,000 cards in January 2019 to 361,000 cards in December 2019; active cards accounted for a 42% share.

Portfolio segment-oriented promotions for the bank's customers, and motivational contests jointly with international payment systems, aimed primarily at making the customer base more active, helped, among other things, increase average monthly card balances<sup>2</sup> and total merchant turnover by 42% and 30%, respectively.

The debit card portfolio expanded by 55%  
from RUB 11 bln

to RUB **17** bln.

The credit card portfolio expanded by 4%  
from RUB 3.6 bln

to RUB **3.7** bln.

Average annual deposit balance (RUB mln)



Merchant turnover (RUB mln)



<sup>1</sup> Used at least once by the client in the last month to complete a financial transaction (which changes the payment limit).

<sup>2</sup> Less balances of virtual cards (a service product accompanying loans and deposits) and loan disbursements.