

1.5 Business model. Competitive advantages. Position in the industry.

Business model

Created value



SHAREHOLDERS AND INVESTORS

Debut dividend payout was made in 2019 in the amount of

RUB
2,978.8
mln

or 24.6% of the bank's 2018 RAS net income



CUSTOMERS

High quality banking products and technologies – customer base expanded by

18%
in 2019



HUMAN RESOURCES

9,780
employees:

Across the banking group (MKB, SKS, Inkakhran)



SOCIETY

A consistent number of public projects, including cooperation with the Arifmetika Dobra charity supporting orphans and adoptive families, and ESG/CSR projects under the sustainable development strategy

Unique operating model

CORPORATE BUSINESS: FOCUS ON MAJOR CUSTOMERS

- Focus on strong, large and medium, state- and privately- owned companies in target segments
- Focus on RAROC¹ and value-added services with 70% of corporate clients using more than 1 MKB product
- Leading position in Moscow region with strong footprint in the Russian market
- Online platform powered by artificial intelligence
- Cash handling platform providing strategic benefits from a risk management perspective

RETAIL BANKING: HIGH-QUALITY CUSTOMER BASE

- Target market segments: consumer and mortgage lending
- Thorough customer screening based on a rigorous underwriting policy aimed at maintaining high loan- portfolio quality
- Differentiated risk appetite based on customer segmentation
- Omni-channel distribution network with strategically located branches and powerful online offering: over 130 branches, over 1,100 proprietary ATMs and over 6,800 payment terminals
- Customer service digitalisation, focus on remote banking channels
- Leading deposit offering with competitive interest rates and convenience for customers, leading loyalty programmes across retail products

INVESTMENT BUSINESS: DIVERSIFIED LINE OF PRODUCTS

- Active use of cross sale tools generating added value
- Access to global markets
- Full range of investment banking services: ECM, DCM, M&A, equity financing etc.
- Focus on low risk deals with prime counterparties and efficient utilisation of capital
- Solid Track Record in DCM: Top-3 Best Arranger for the Non-Financial Sector in 2019

INTERNATIONAL BUSINESS: ACTIVE PLAYER IN INTERNATIONAL CAPITAL MARKETS

- The most active Russian bank by public transactions in the international capital market in recent years (IPO in 2015, SPO in 2015, 2017 and 2019, 3 Eurobond issues in the last 2 years, international syndicated loans)
- Using a strong international business franchise to further diversify the funding base by maturities, sources, instruments and counterparties
- The most favourable position in the current market conditions to access international capital markets, plus broad experience
- Growing operations in the strategically important Asian region

TRANSPARENT OWNERSHIP STRUCTURE AND HIGH CORPORATE GOVERNANCE STANDARDS

- Reputable minority shareholders, including EBRD
- Full compliance with best international corporate governance practices
- Leadership in transparency and disclosure
- 5 out of the 10 Supervisory Board members are independent directors, and 2 others are nominees of minority shareholders
- Management engagement in decisions related to environmental policies and reporting

¹ Risk-adjusted return on capital

Resouces



FINANCIAL CAPITAL

- The bank enjoys a well-diversified funding structure, including, in particular, corporate, retail and bank deposits.
- The bank's high credit ratings from four leading international and two Russian rating agencies, and an unblemished financial history give it access to international funding and allow it to tap capital markets actively.
- In 2019, the bank issued EUR 500 mln and USD 500 mln Eurobonds, made a RUB 14.7 bln SPO, and raised two syndicated loans up to USD 500 mln and up to RMB 2 bln, all of which strongly improved its capital structure and quality, and lengthened its liabilities.



INTELLECTUAL CAPITAL

- The bank's technological development policy seeks to ensure operational efficiency, information security, a better customer experience, and rapid and high-quality development of new services and products for corporate, retail and investment banking customers.
- The optimal automation solutions chosen (including upgraded CRM systems) make it possible to accomplish business tasks most efficiently, responding promptly to market changes and customer demands



HUMAN CAPITAL

- The bank's HR strategy is aimed at hiring, developing and retaining highly qualified and efficient employees.
- To develop human capital and build an effective team, MKB employs the best HR practices - annual performance appraisal as part of the performance management system, a modular system approach to training based on individual development plans and competency model, use of modern adaptation methods, development of internship programs, and automation of HR processes.
- The bank has created an open corporate culture with a developing environment, promoting corporate social responsibility (CSR) as a part of its corporate culture.



SUSTAINABLE DEVELOPMENT CAPITAL

- Emphasis is placed on commitment to key standards and values adopted by the bank and shared by its employees and management, including social and environmental obligations.
- The bank's business model emphasises socially-responsive products, in particular social retail products, and support for exporters and SMEs.
- MKB seeks to exemplify sustainable development principles for its customers and partners, guided by social and environmental responsibility principles, and based on best national and international corporate governance practices.
- MKB recognises the importance of each of the 17 Sustainable Development Goals adopted by the UN General Assembly in 2015. In its practice, MKB focuses on 6 of them, identified as our top priorities: good health and well-being, quality education, decent work and economic growth, industry, innovation and infrastructure.