

# INVESTOR PRESENTATION

9M2019

# AT A GLANCE

Federal universal bank

## CREDIT RATINGS<sup>1</sup>

Moody's

**Ba2**

stable

S&P

**BB**

stable

Fitch

**BB+**

stable

ACRA

**A+**

stable

Expert RA

**A**

positive

## NATIONAL SCALE

2,447 Offices

1,034 Towns

## CAPITAL GENERATION

24% Average sustainable ROE<sup>3</sup> 2016 – 9M19

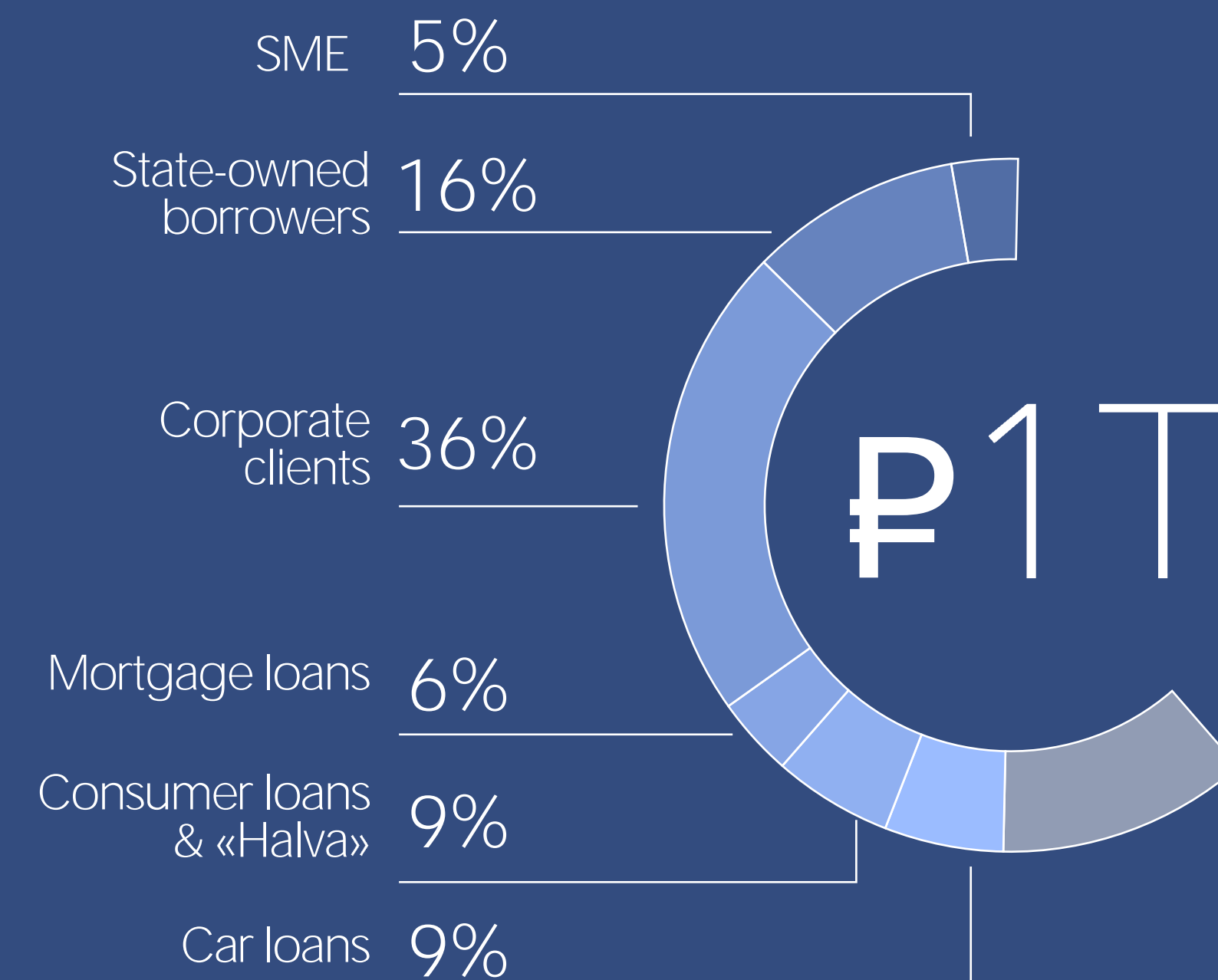
₽133 BN Equity<sup>4</sup>

## SHAREHOLDERS

10.5% Sovereign funds SBI Holdings

89.5% Management & Russian investors

## ASSETS<sup>2</sup>



Source: Company disclosure, IFRS financial statements (2016 – 9M2019)

1. Long-term credit ratings, as at 21 October 2019

2. As at 30 September 2019

3. ROE adjusted for one-offs (as per definition in Glossary)

4. As at 30 September 2019. Including minority interest

30.06.19 30.09.19

Assets, BN ₪ 976 +3% 1 003

Equity<sup>1</sup>, BN ₪ 127 +5% 133

Clients, mln 5.6 +7% 6.0

«Halva» cards issued, mln 3.3 +15% 3.8

6M19 9M19

Profit for the period, BN ₪ 13.0 +9 BN 21.9

Sustainable profit<sup>2</sup> for the period, BN ₪ 10.8 +6 BN 17.4

# HIGHLIGHTS

## 3Q2019

### Retail

- +0.4M new clients (+1.4M for 9M19)
- +9% loan portfolio (+27% for 9M19)
- Normalization of NPL 90+ from the historically low levels
- 50% share of NII in operating income

### Corporate banking

- The loan portfolio is flat at ₪190 BN
- NPL 90+ is at 0.8%; NPL 90+ coverage is 318%
- 50% share of NF&CI in operating income

### Treasury

- Bond portfolio is stable ~ ₪362 BN (-11% for 9M19)
- Diversified, liquid portfolio, zero defaults
- Share of bonds in the total assets down to 36%

### Capital & liquidity

- 44% of liabilities are in liquid assets
- +80% profit for the period to ₪9 BN vs. 3Q18
- +6% equity
- Credit ratings upgraded by 4 credit rating agencies

Source: Company disclosure, IFRS financial statements (1H2019 - 9M2019)

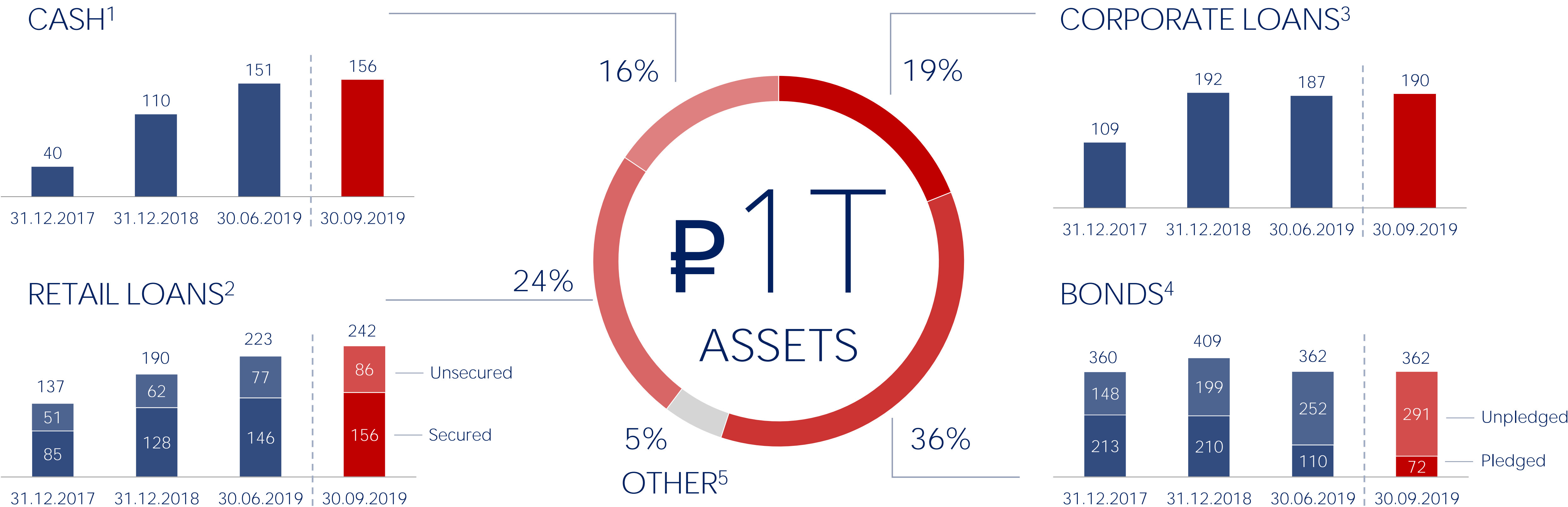
1. Including minority interest

2. Profit for the period adjusted for one-offs (as per definition in Glossary)

# BALANCE SHEET - ASSETS

₽BN

Transparent, diversified, low risk assets

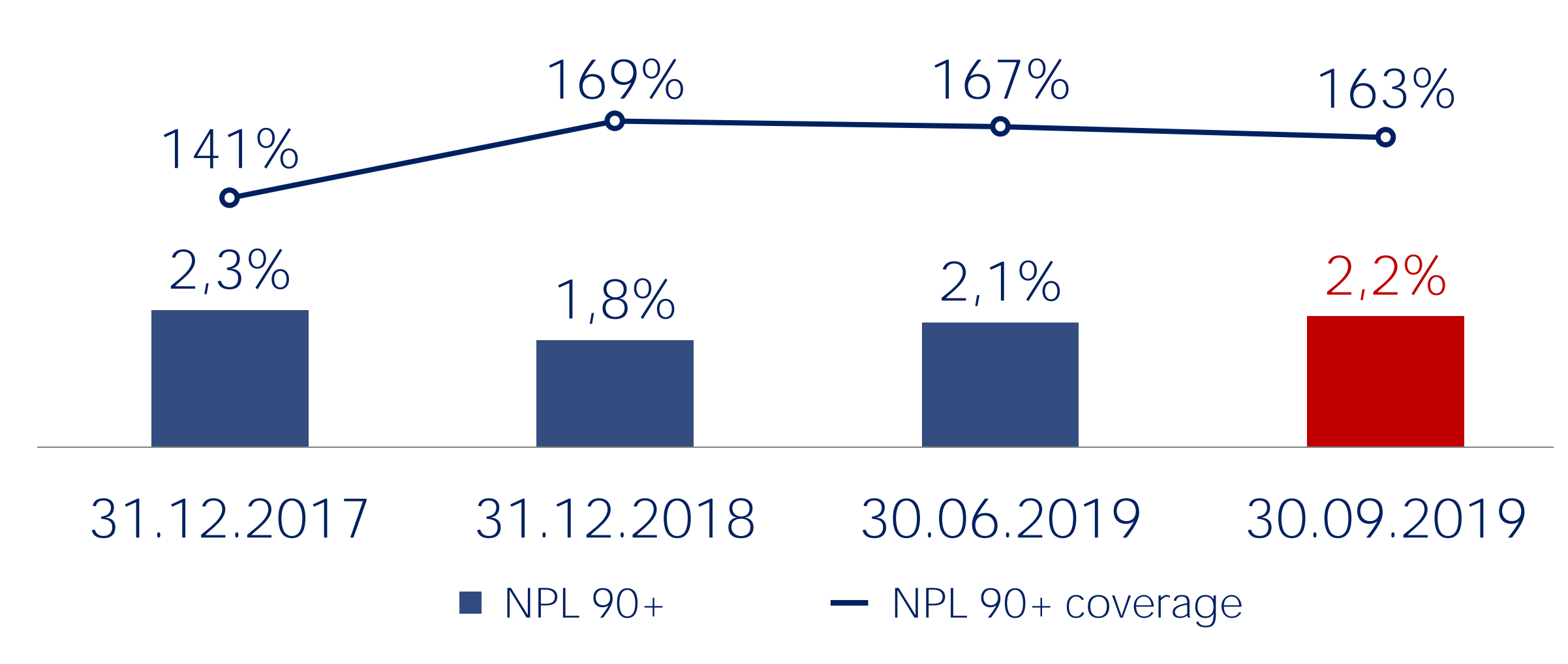


Source: Company disclosure, IFRS financial statements (2017 – 9M2019)

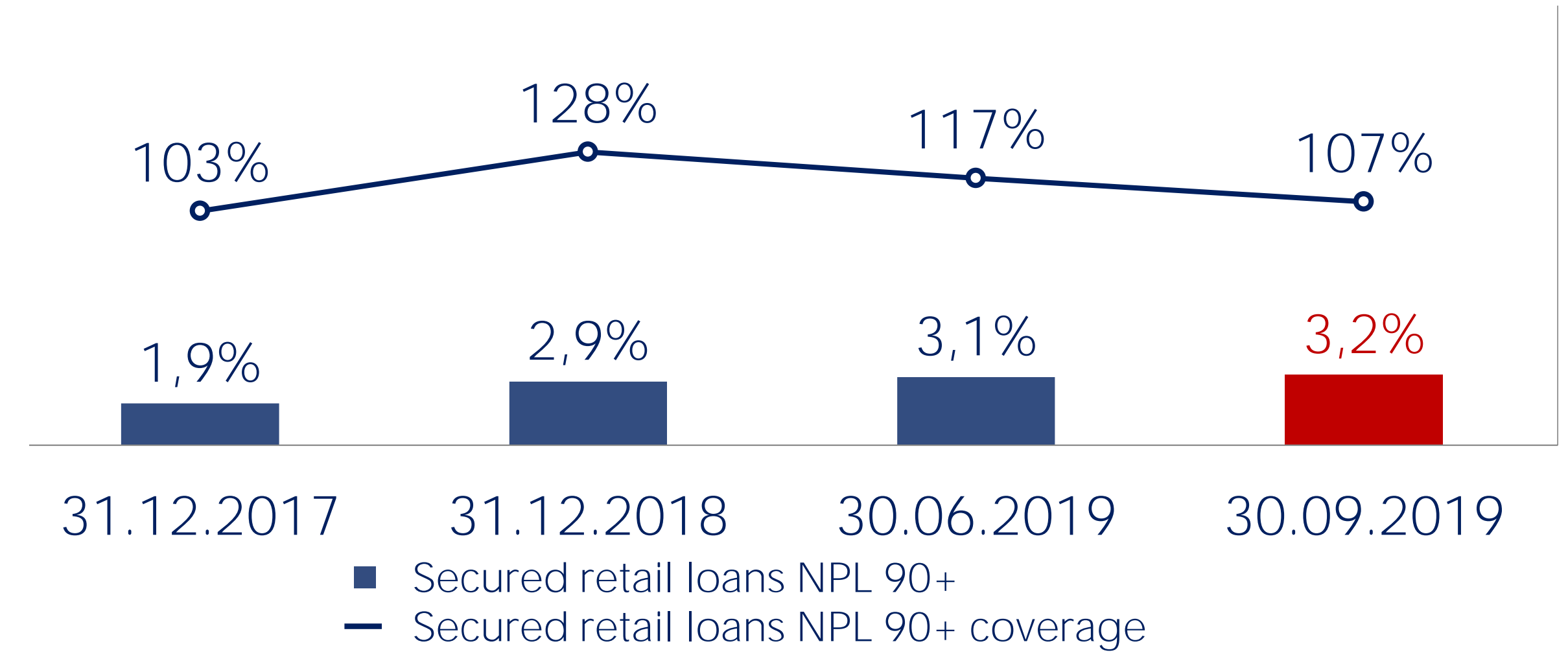
- 4
- 1. Cash and cash equivalents
  - 2. Loans to individuals less allowance for loan impairment
  - 3. Corporate loans less allowance for loan impairment
  - 4. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation; corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment and bonds of Russian banks measured at amortized cost less allowance for impairment

- 5. Mandatory cash balances with the CBR, Placements with banks excluding bonds of Russian banks measured at amortized cost, Derivative financial instruments, Corporate shares and shares of companies with state participation at FVPL, Investment securities at FVOCI, Investment in associates, Investments in joint ventures, Investment property, Property and equipment and intangible assets, Goodwill, Current income tax asset, Deferred tax asset, Other assets

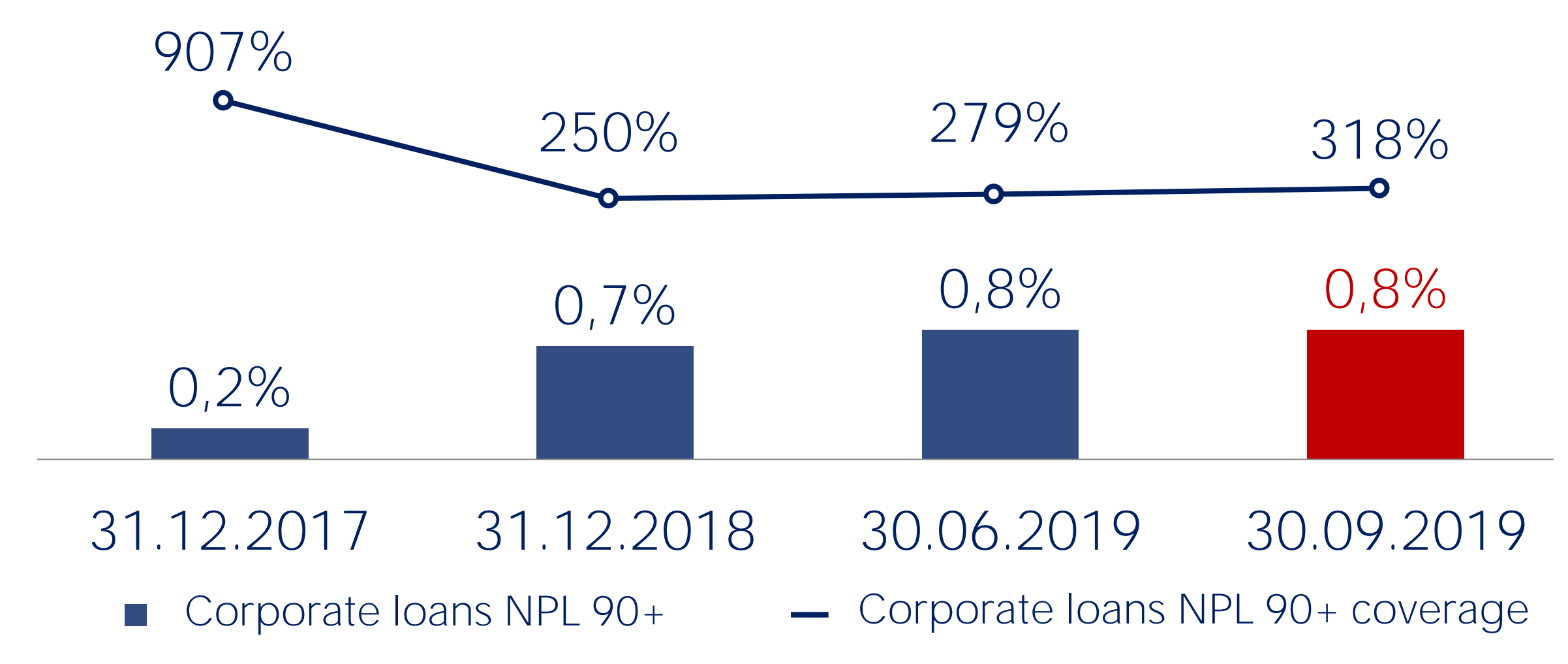
## NPL 90+: TOTAL LOAN PORTFOLIO<sup>1</sup>



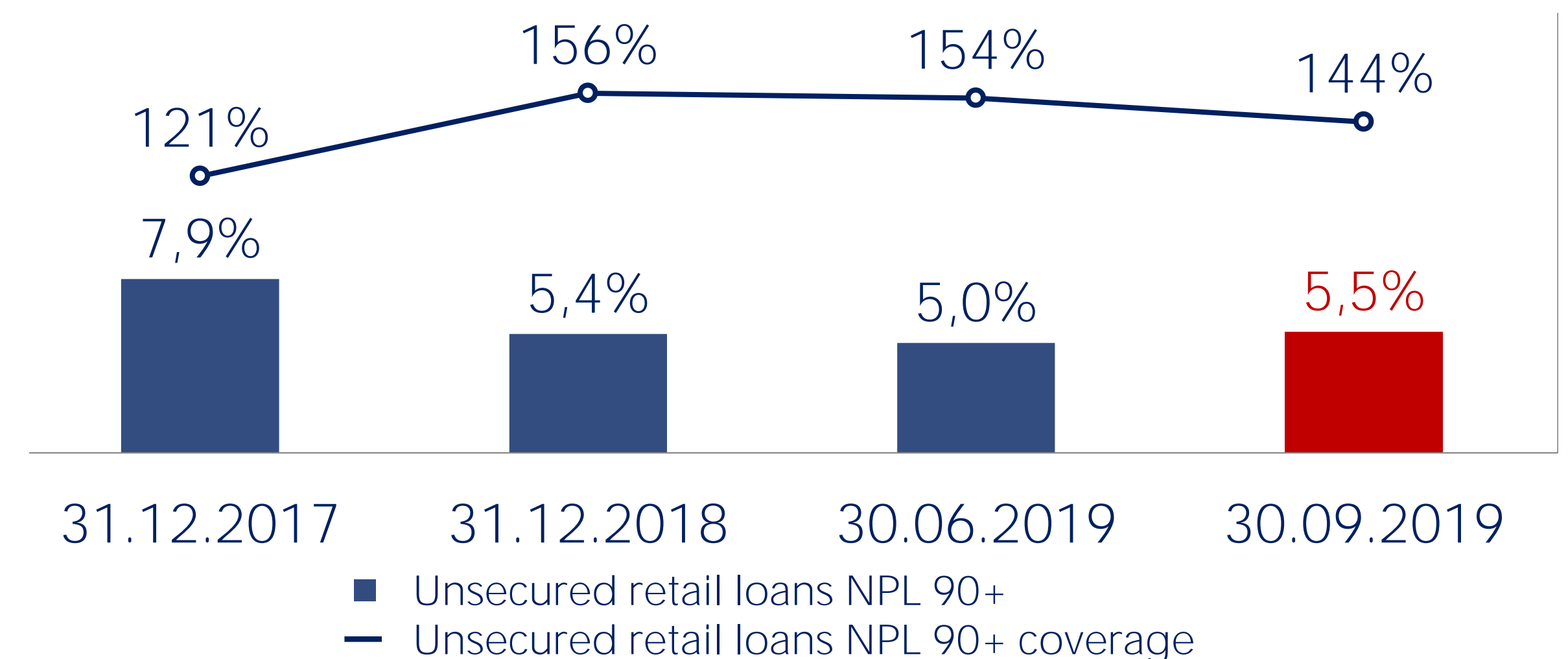
## NPL 90+: SECURED RETAIL LOANS



## NPL 90+: CORPORATE LOANS<sup>2</sup>



## NPL 90+: UNSECURED RETAIL LOANS

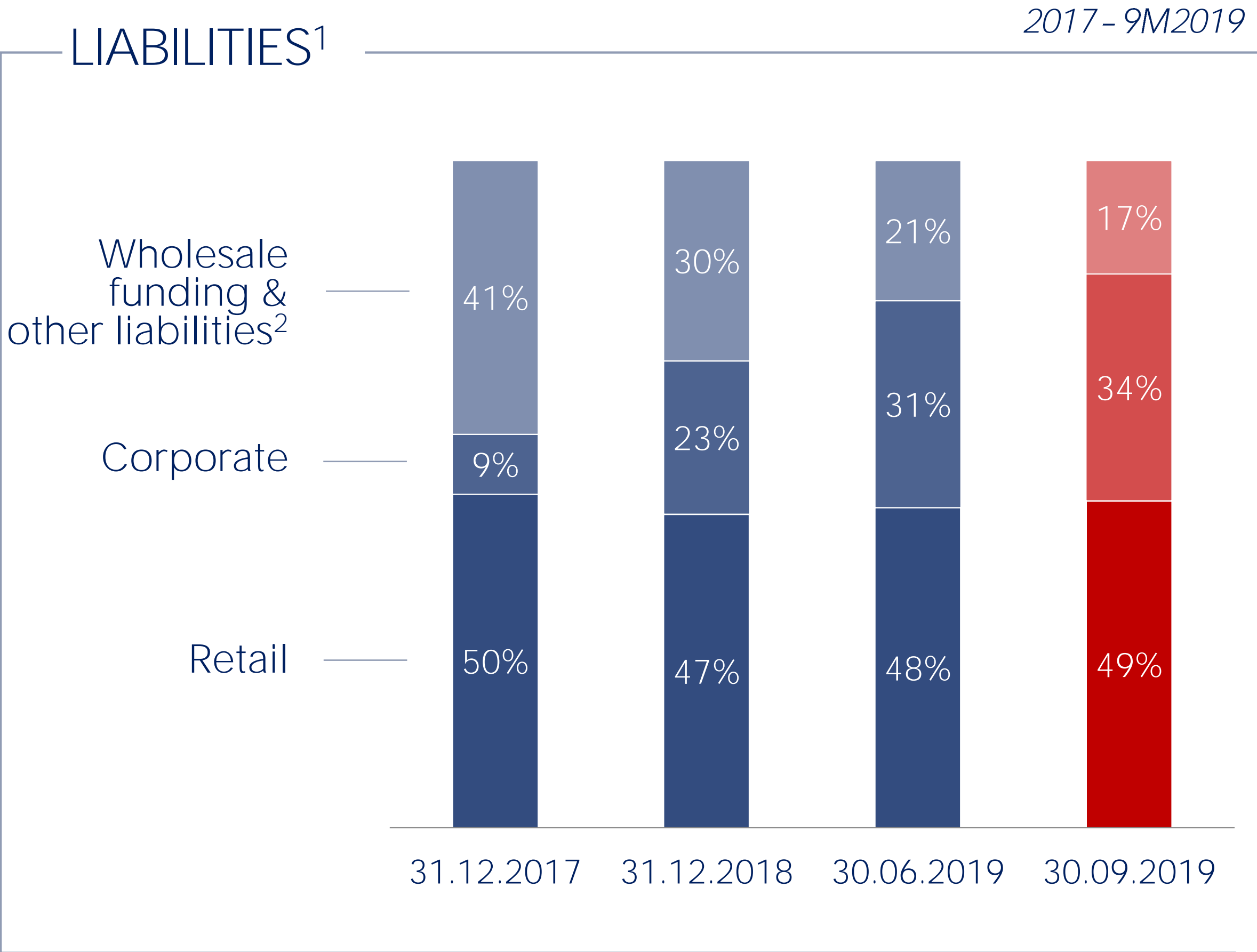




# BALANCE SHEET - LIABILITIES

₱BN

Granular retail & growing corporate term deposits



Source: IFRS financial statements (2017 - 9M2019)

1. Values are subject to rounding: rounded components may not add up to the rounded sum

2. Due to the CBR (₱0.8Bn), Due to banks (₱79.5Bn), Debt securities issued (₱18.4Bn), Other borrowed funds (₱18.6Bn), Deferred tax liability (₱1.7Bn), Current income tax payable (₱0.7Bn), Subordinated debt (₱10.3Bn) and Other liabilities (₱22.0Bn)

# EUROBONDS ISSUE

\$300M

Amount

8.00%

Coupon

10,5 years / 5,5 years

Maturity date / Call-option

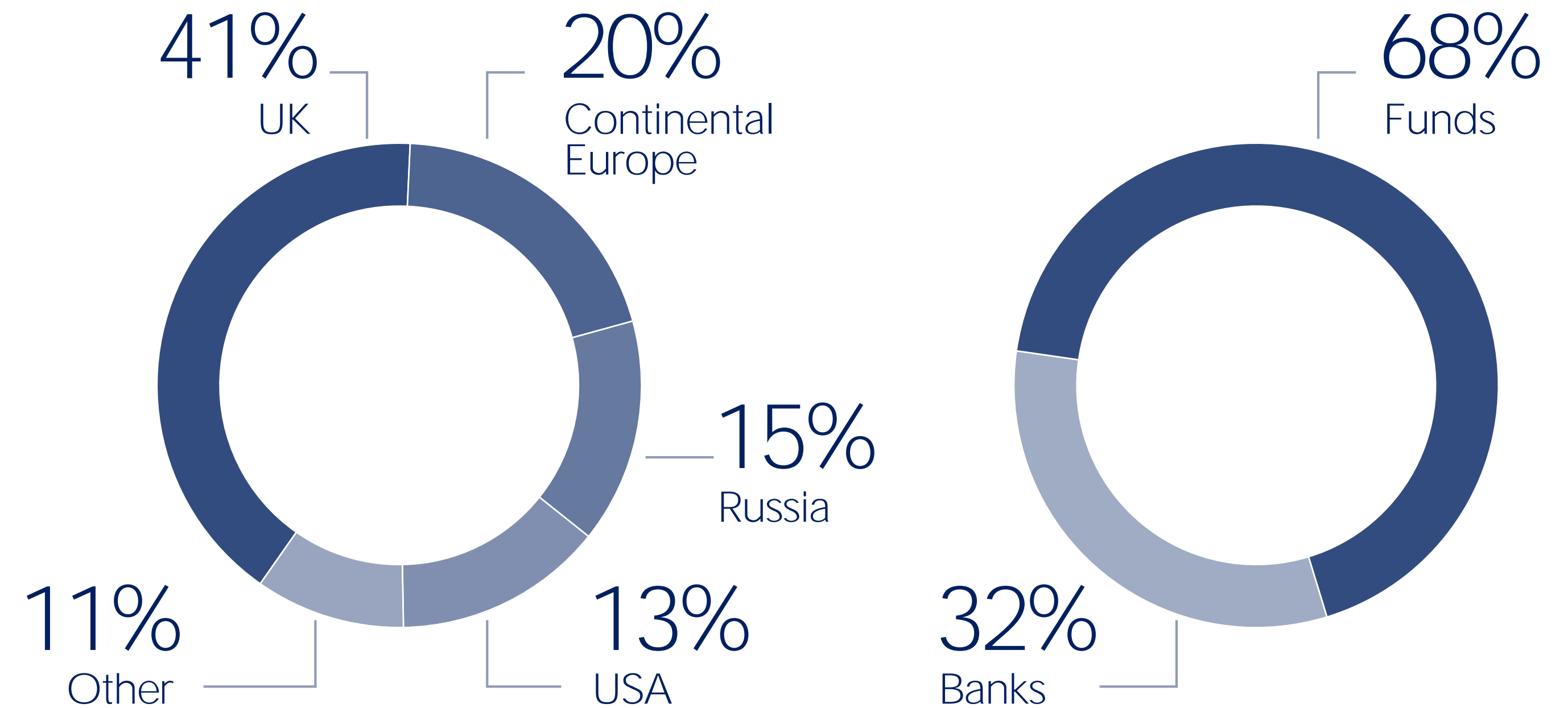
BB

Fitch rating

BID PRICE



INVESTORS

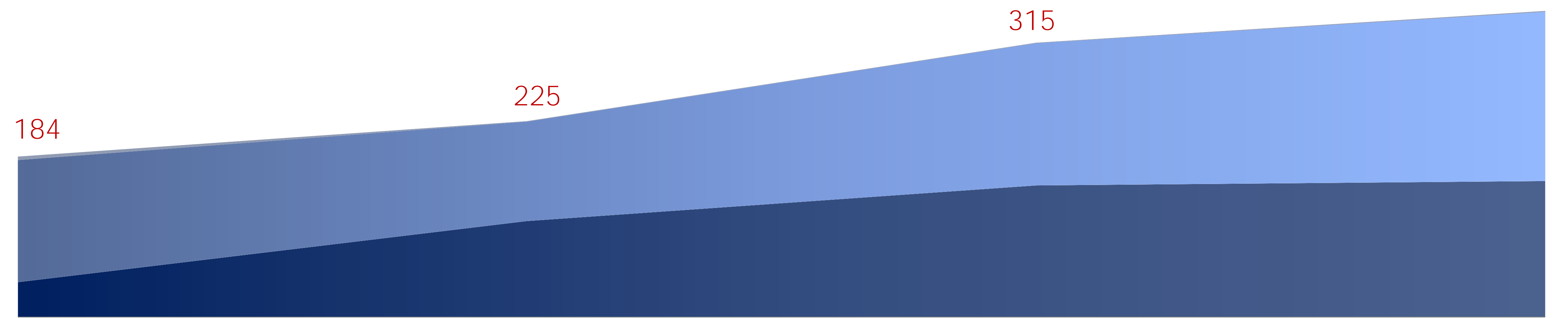
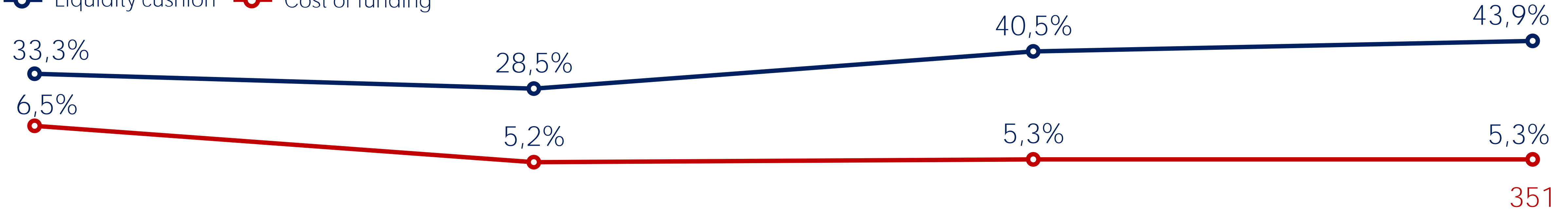


# LIQUIDITY

₪BN

43.9% of total liabilities are in liquid assets

—○— Liquidity cushion —○— Cost of funding



31.12.2017 31.12.2018 30.06.2019 30.09.2019

■ Cash & cash equivalents ■ Unencumbered financial instruments at FVPL ■ Unencumbered investment securities at FVOCI

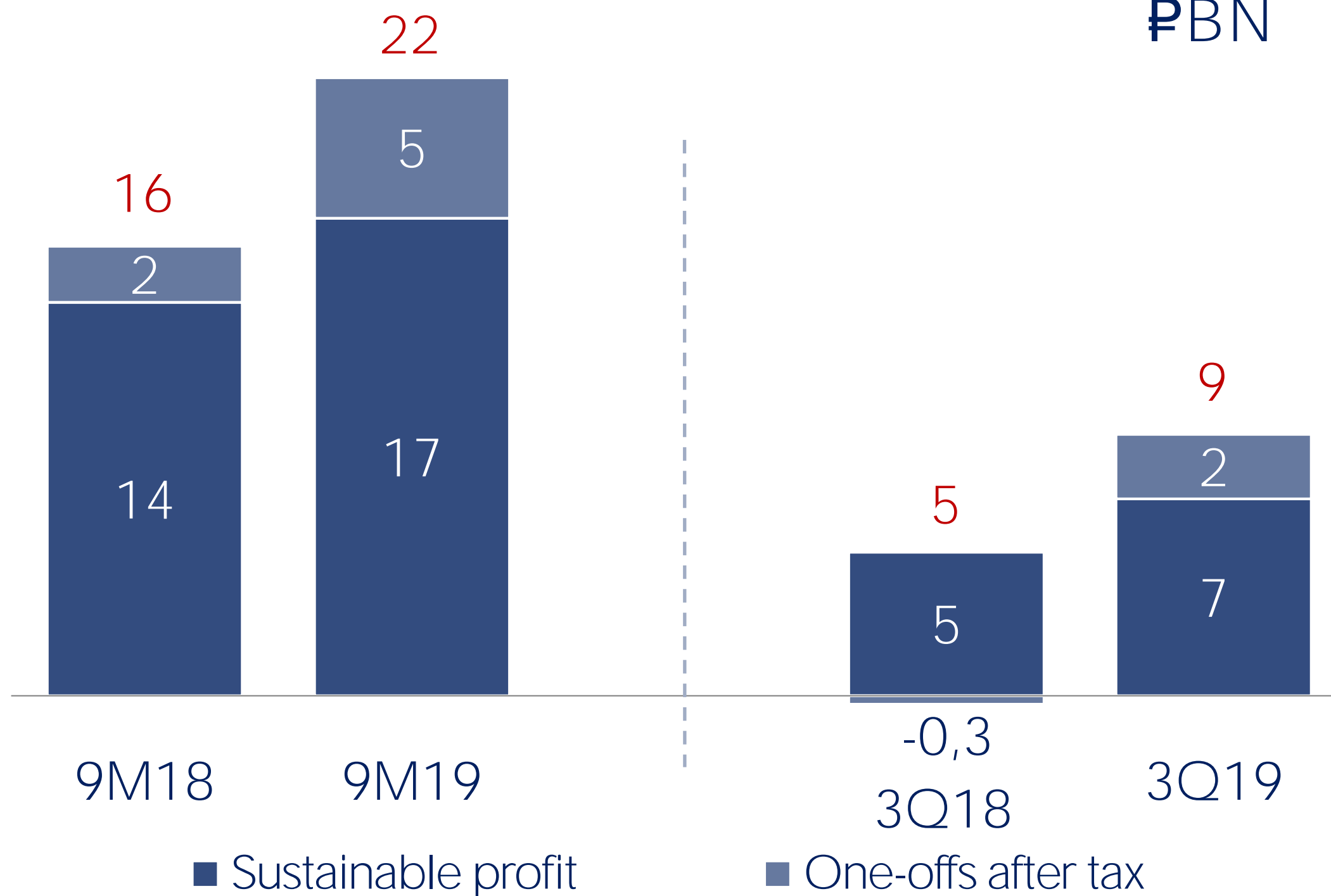


# PROFIT

Sustainable profit grew by 23% vs. 9M18

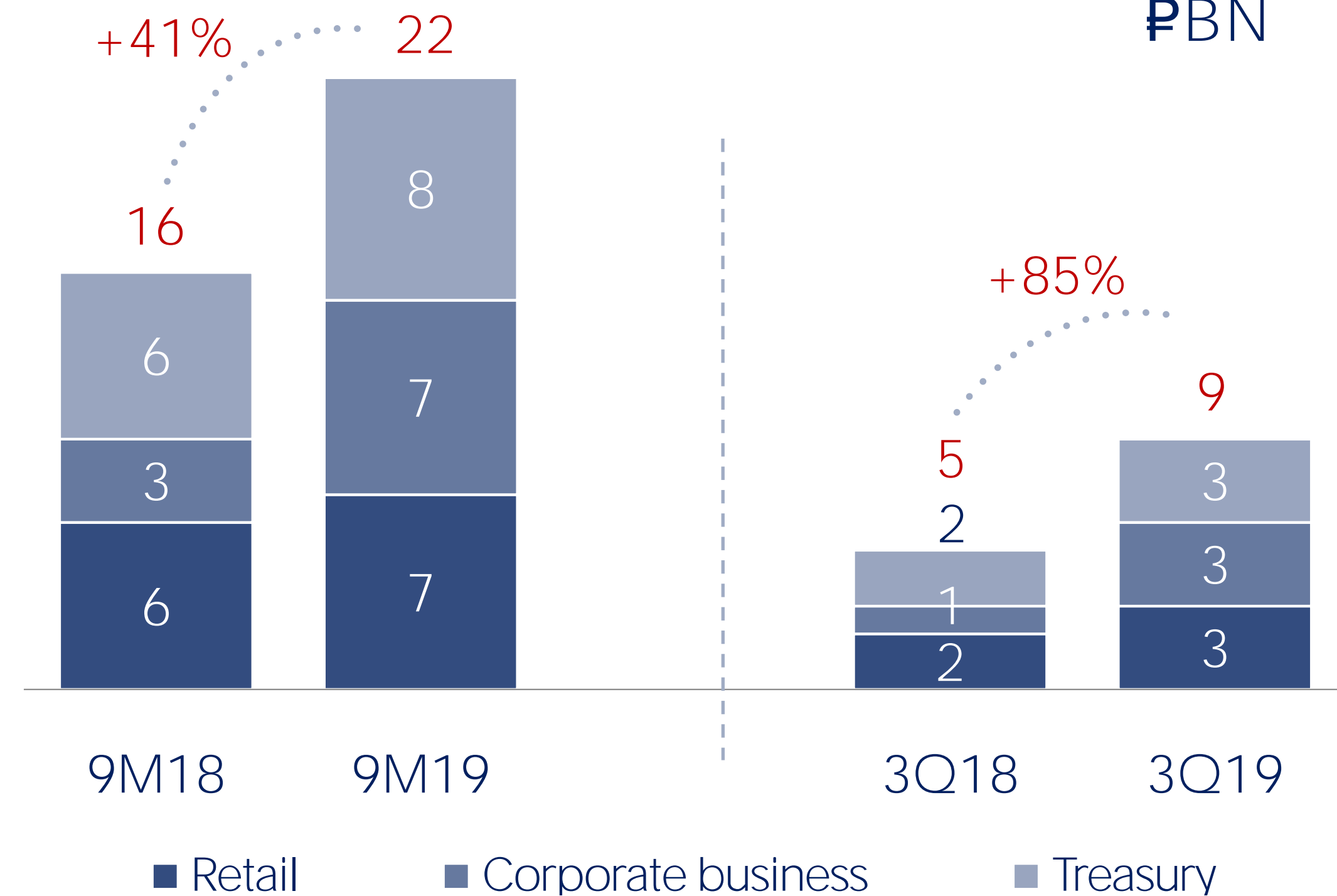
PROFIT FOR THE PERIOD

₪BN



PROFIT BY SEGMENTS<sup>1</sup>

₪BN



**79%** Share of sustainable profit in profit for 9M19

**41%** Profit growth 9M19 vs. 9M18

Source: IFRS financial statements (2017 - 9M2019)

Values are subject to rounding; rounded components may not add up to the rounded sum

1. Profit for the period before income tax expense \* 0,8

## OPERATING MARGIN

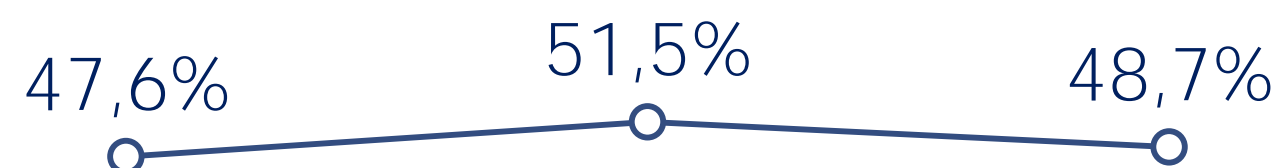
(NII + NFCI) / Average assets



2017 2018 9M2019

## COST / INCOME RATIO

OPEX / (NII + NFCI)



2017 2018 9M2019

## NET INTEREST MARGIN

NII / Average Interest earning assets



2017 2018 9M2019

## MARKET RISK

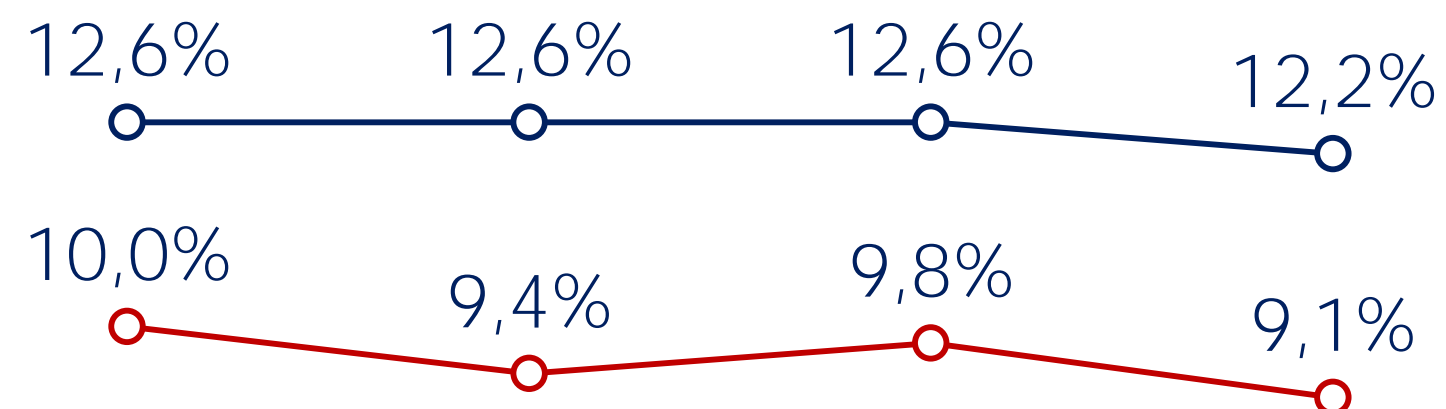
Market Risk / Basel III Total capital



31.12.2017 31.12.2018 30.06.2019 30.09.2019

## CAPITAL ADEQUACY (RAS)

Sovcombank (standalone)

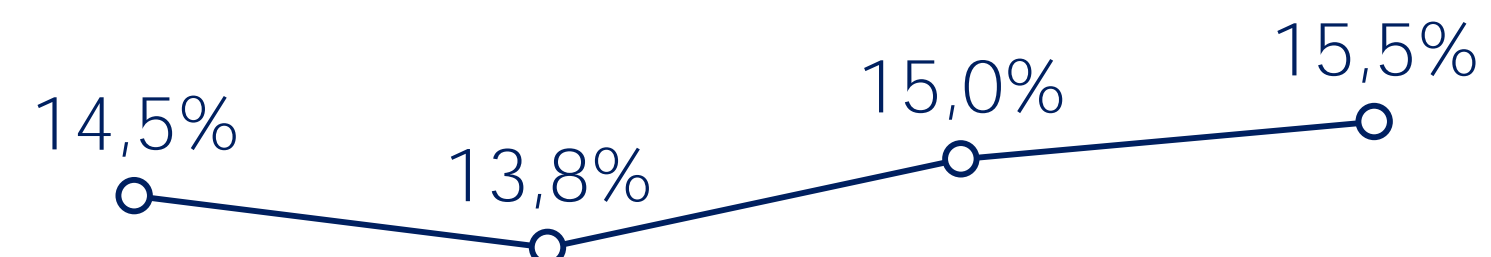


31.12.2017 31.12.2018 30.06.2019 30.09.2019

■ N1.0 ■ N1.1

## CAPITAL ADEQUACY (IFRS)

Basel III, Sovcombank Group (consolidated)<sup>2</sup>

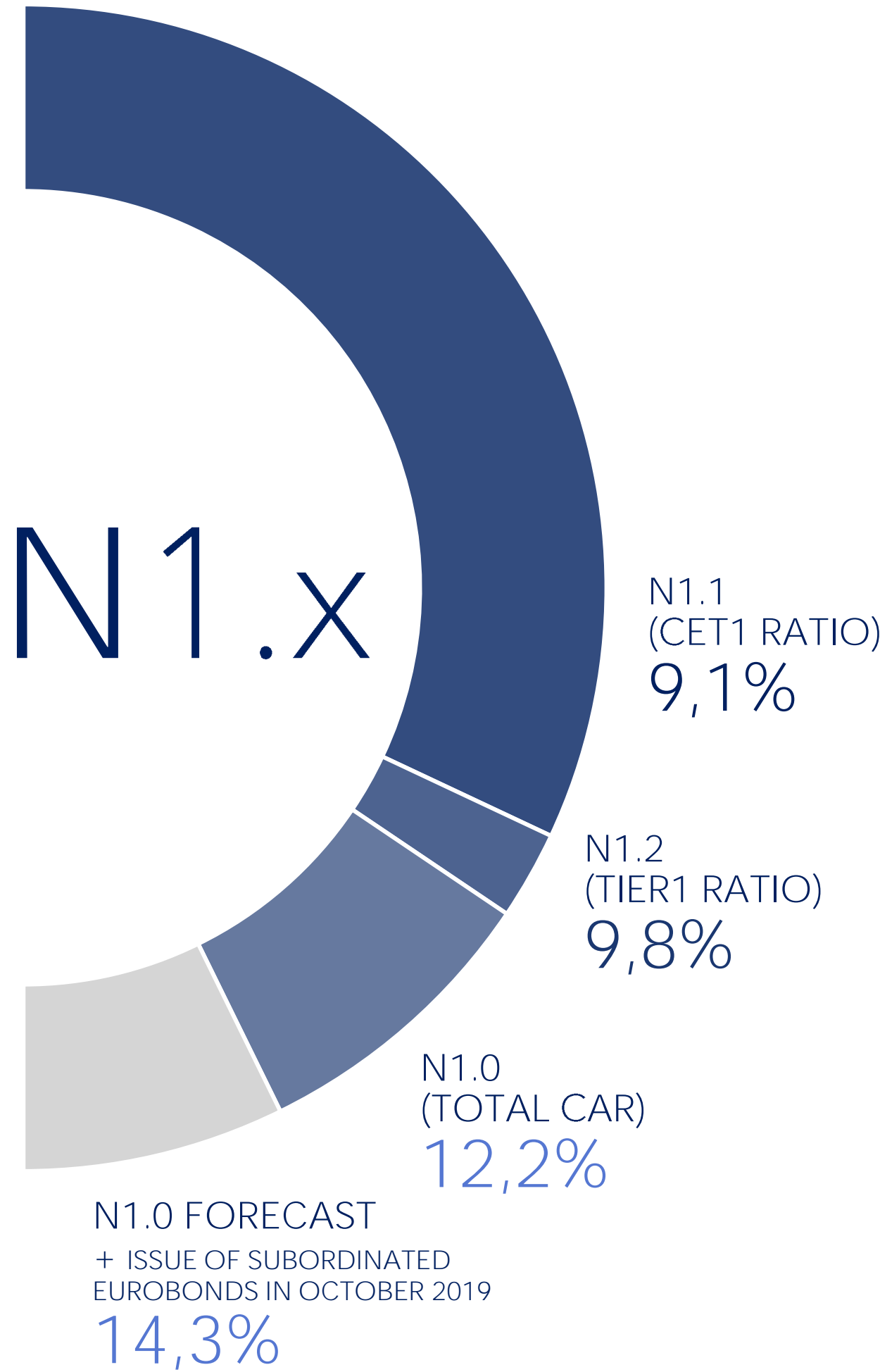


31.12.2017 31.12.2018 30.06.2019 30.09.2019

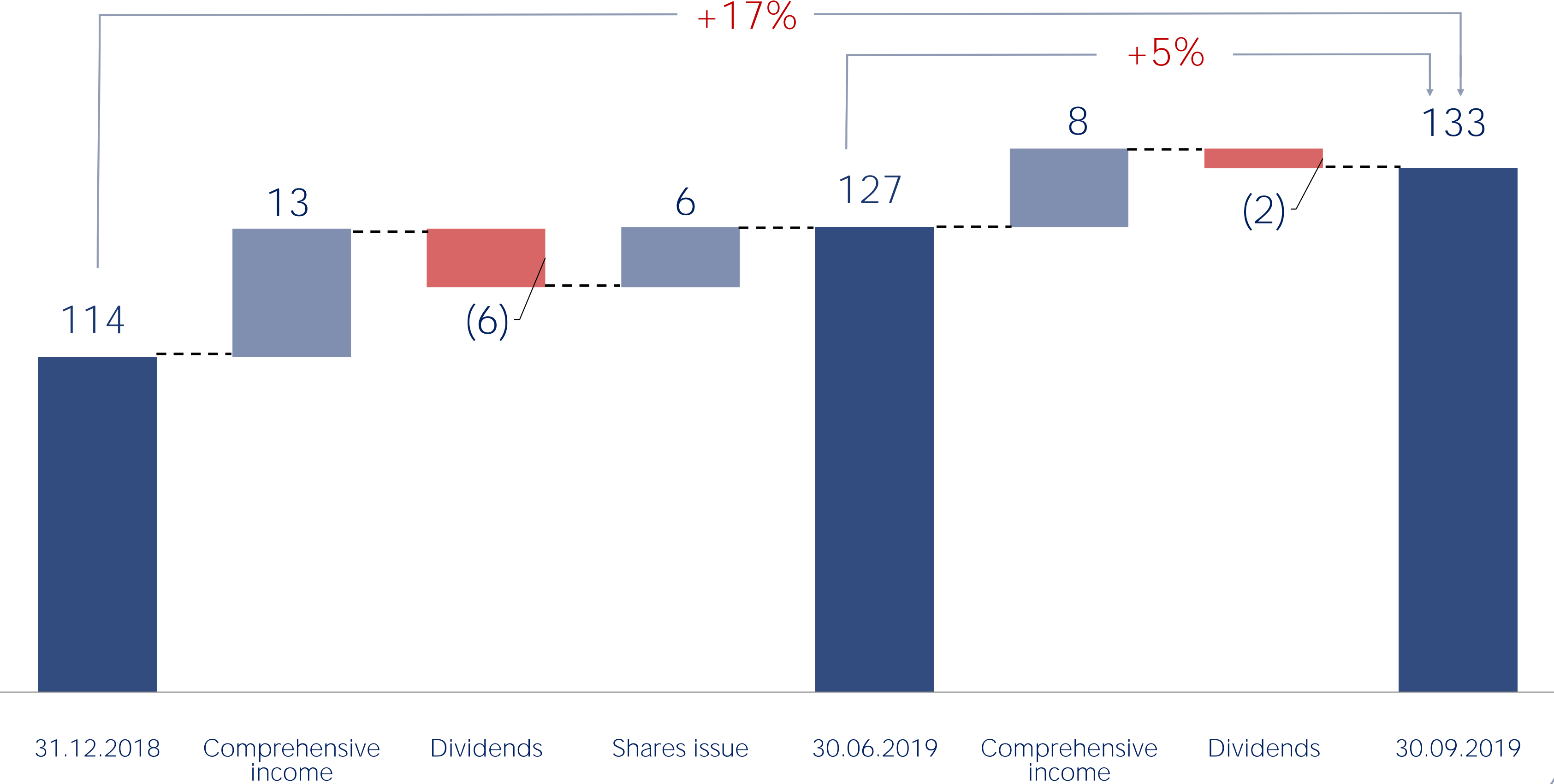
Source: IFRS financial statements (2017 – 9M2019), [www.cbr.ru](http://www.cbr.ru)

1. Calculated in accordance with Basel III

# CAPITAL



CHANGES IN CAPITAL  
PBN



# APPENDIX



9M2019

# DIVERSIFIED BUSINESS

The bank is present in all attractive segments it chose to be in

## RETAIL

Mass-market products  
LMI<sup>1</sup> clients  
Phygitel retail network

## CORPORATE

Blue chips, public sector & SME  
DCM  
B2G

## TREASURY

Fixed income portfolio  
Capital & liquidity

### ASSETS

27%

22%

51%

### LIABILITIES

44%

40%

16%

### PBT

34%

32%

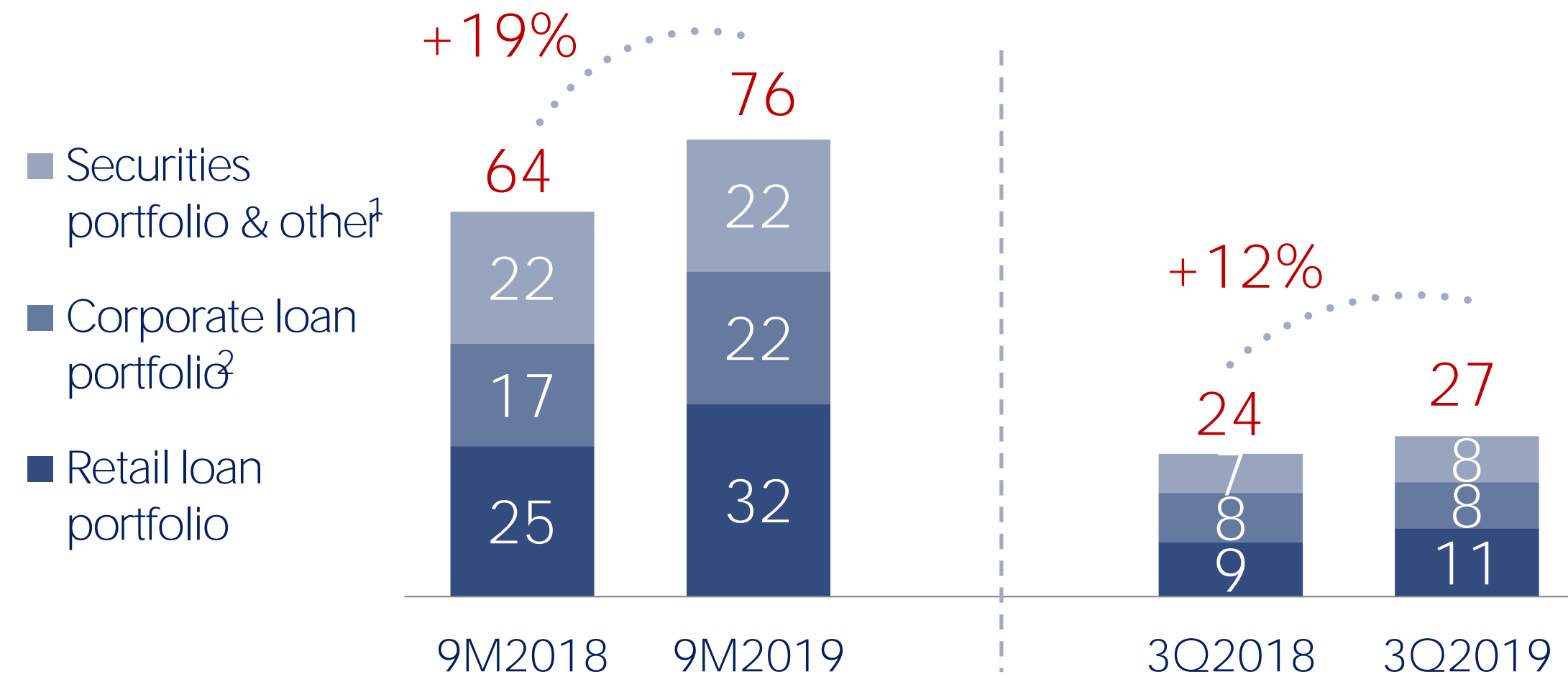
34%



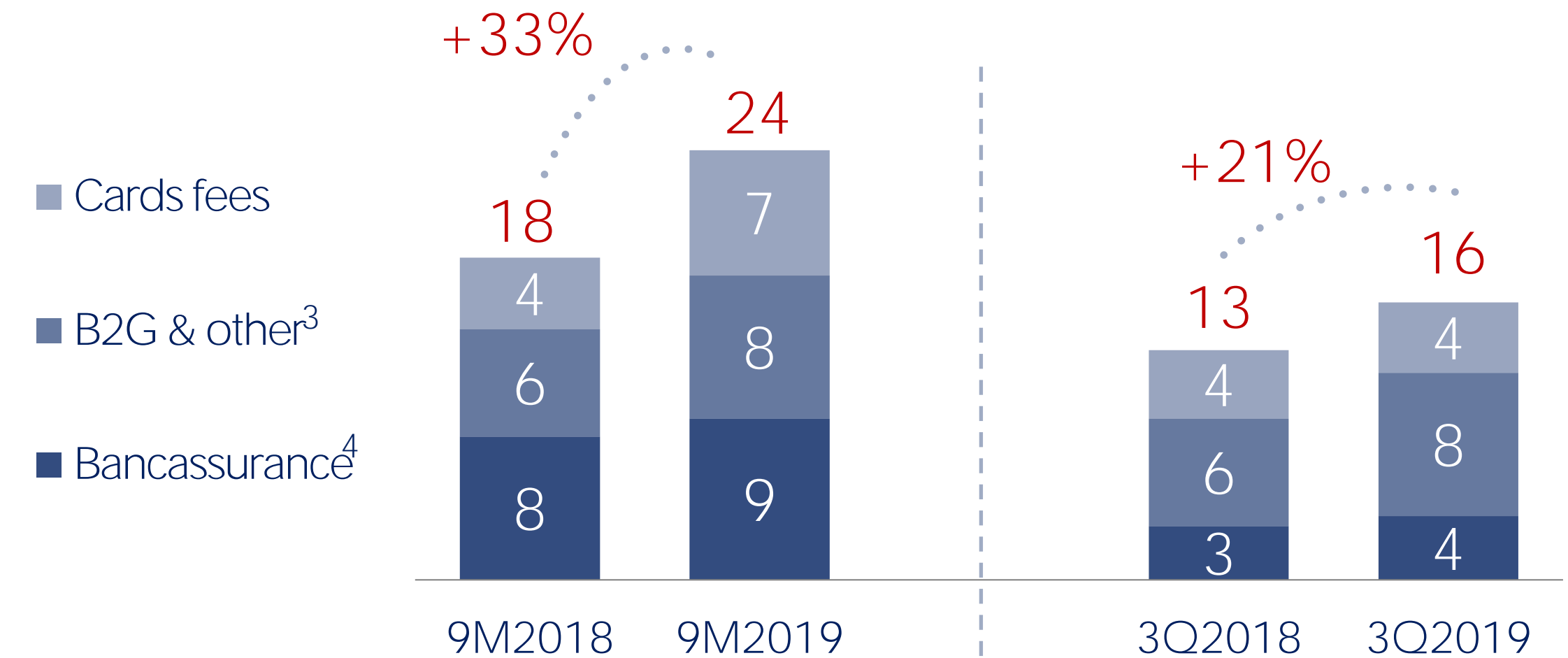
# INCOME STATEMENT

₪BN

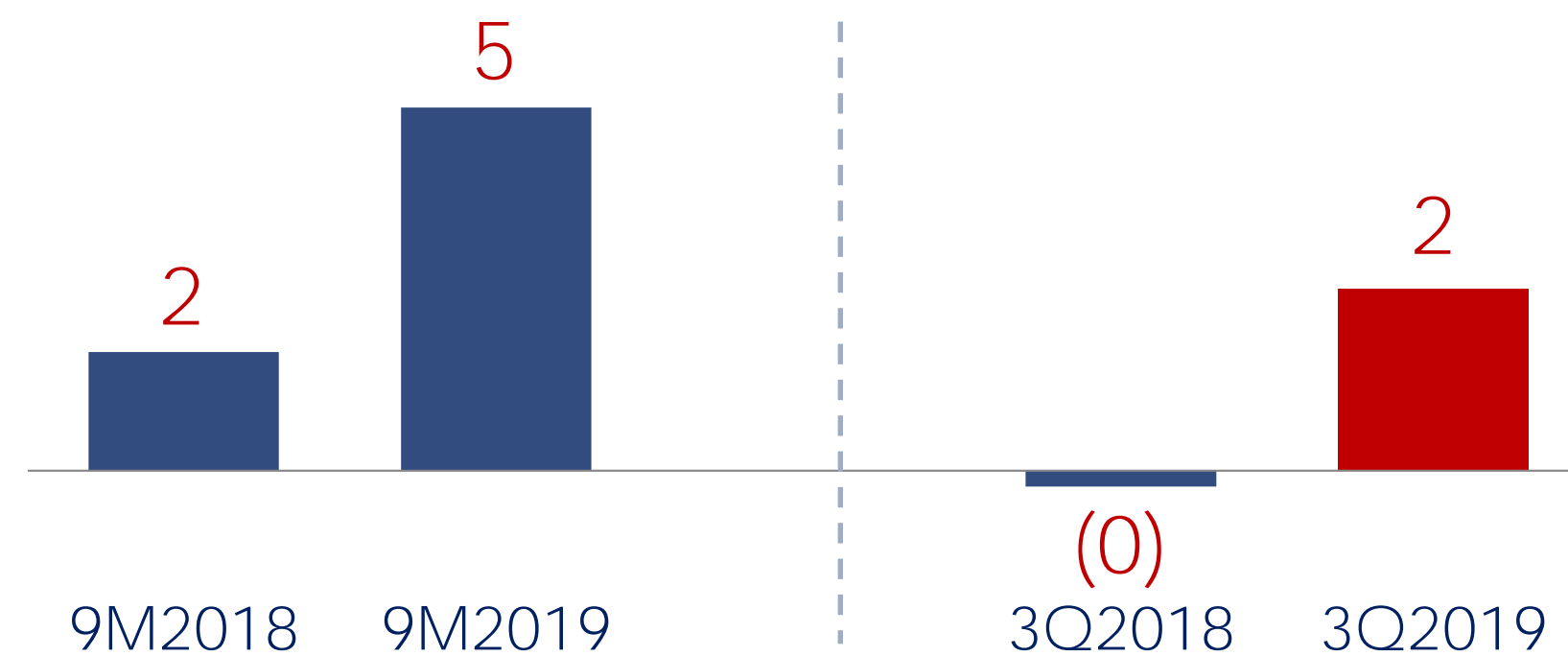
## INTEREST INCOME



## FEE & COMMISSION INCOME



## ONE-OFFS AFTER TAX



↑ 19%

Interest income growth  
9M18 vs 9M19

↑ 33%

Fee & commission income  
growth 9M18 vs 9M19

21%

Share of one-offs in  
profit for 9M19<sup>5</sup>

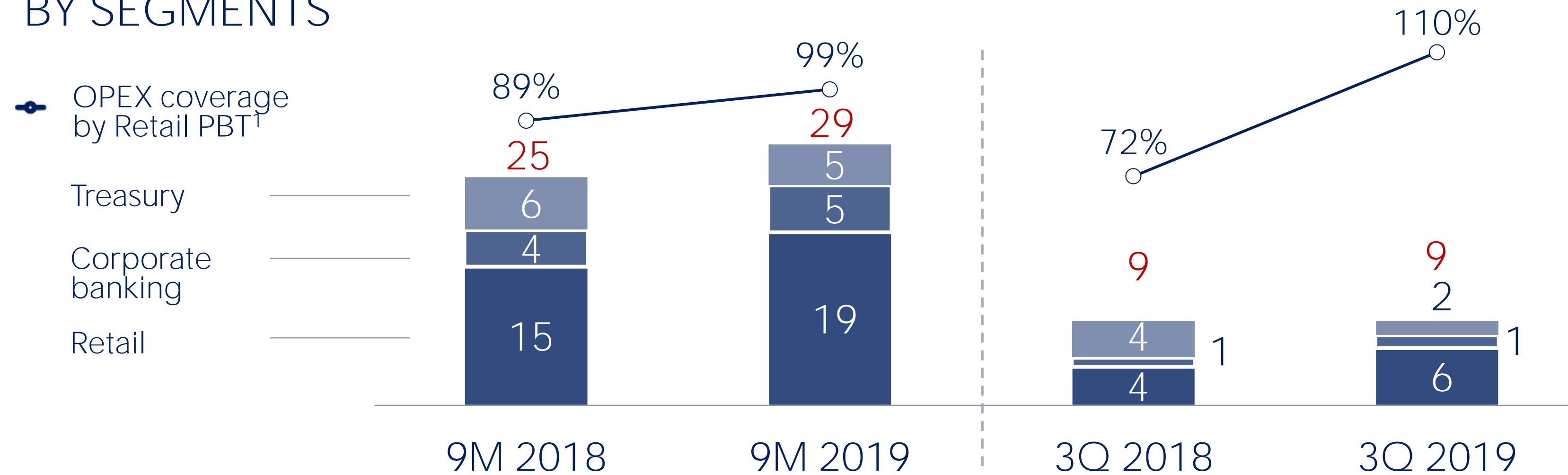
Source: IFRS financial statements (2018 - 9M2019)

1. Placements with banks and financial institutions and bonds measured at amortized cost, Investment securities at FVOCI, Financial instruments at FVPL, Net gains on foreign currency swaps and Gain on remeasurement of cash flows from interest-bearing assets acquired in business combinations
2. Corporate loans and bonds measured at amortized cost

3. Settlement operations, Bank guarantees, Digital public procurement platform, Agent fee for selling insurance products and Other
4. Financial protection program
5. One-offs for the period \* 0,8

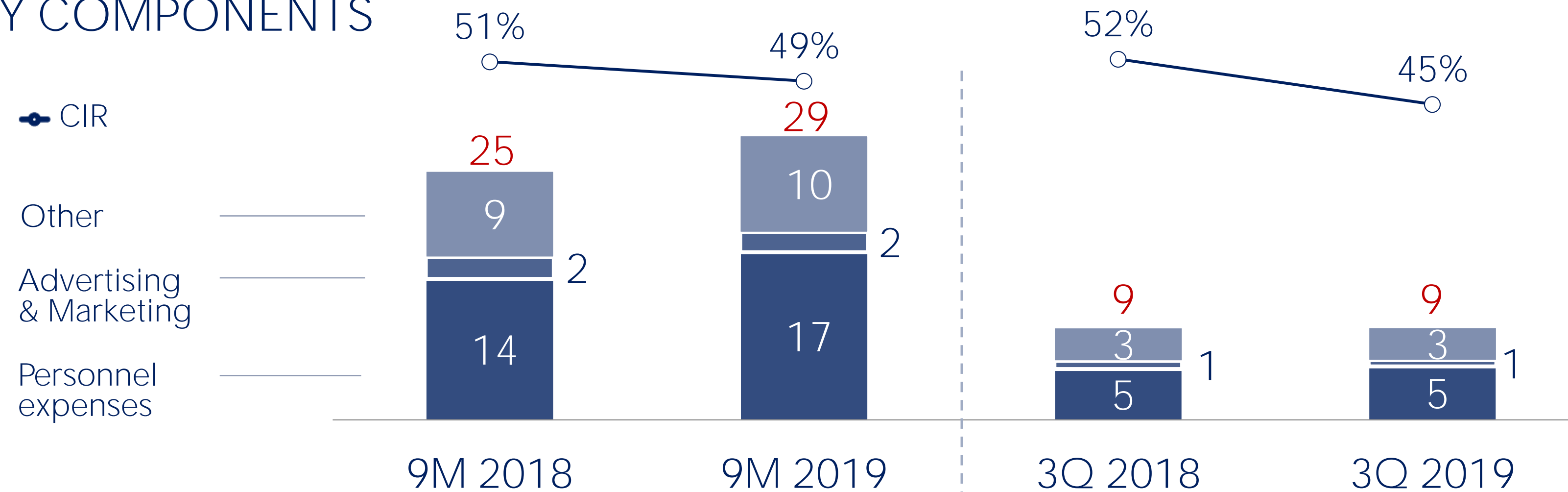
# OPEX

## BY SEGMENTS



**66%** of total Bank's OPEX for 9M19 attributable to Retail segment

## BY COMPONENTS



**99%** of total Bank's OPEX covered by Retail PBT<sup>2</sup>

Source: IFRS financial statements (2018 - 9M2019)

1. Retail profit before tax excluding operating expenses / Total bank's operating expenses

2. Retail profit before tax excluding operating expenses

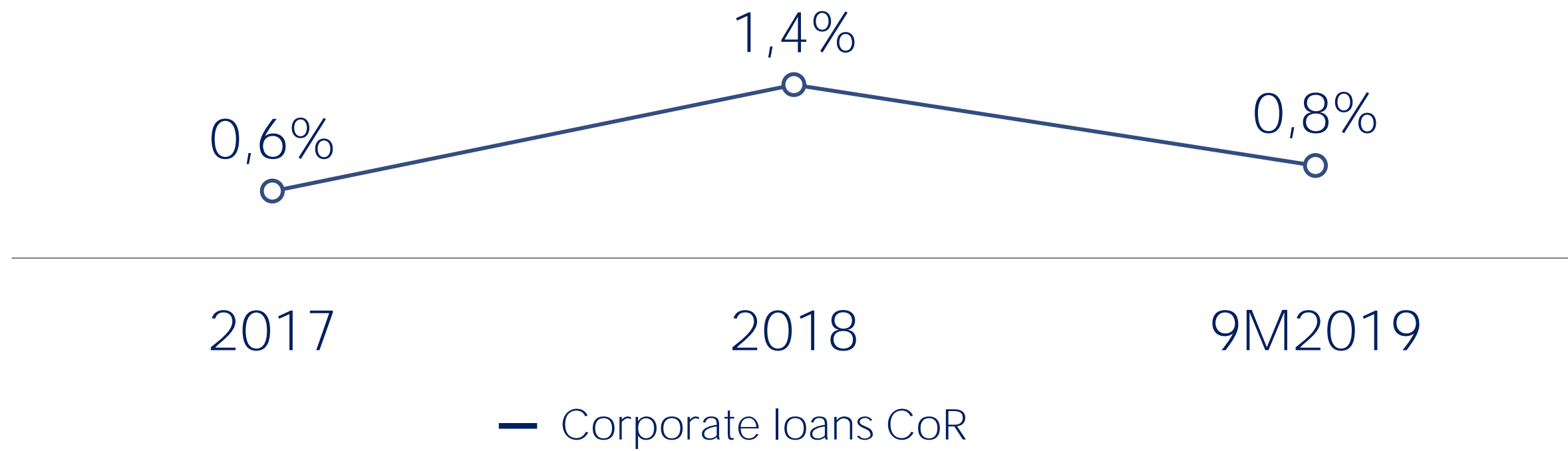
COST OF RISK: TOTAL LOAN PORTFOLIO<sup>1</sup>



COST OF RISK: SECURED RETAIL LOANS



COST OF RISK: CORPORATE LOANS<sup>2</sup>

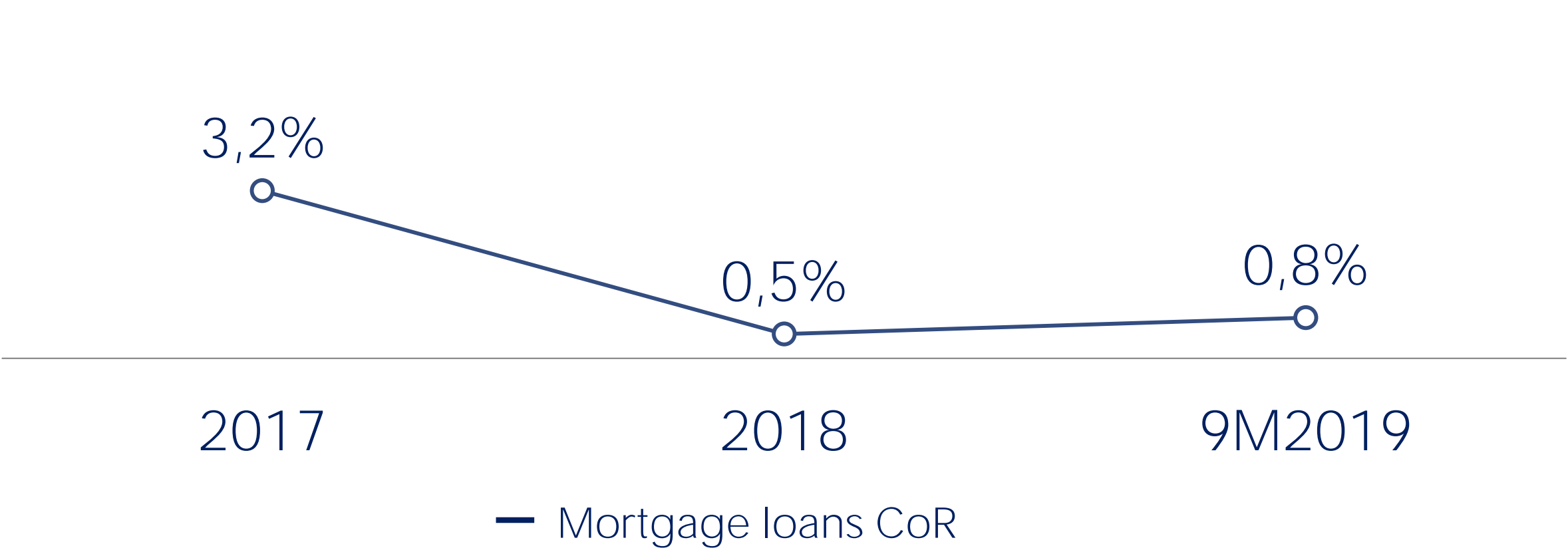


COST OF RISK: UNSECURED RETAIL LOANS

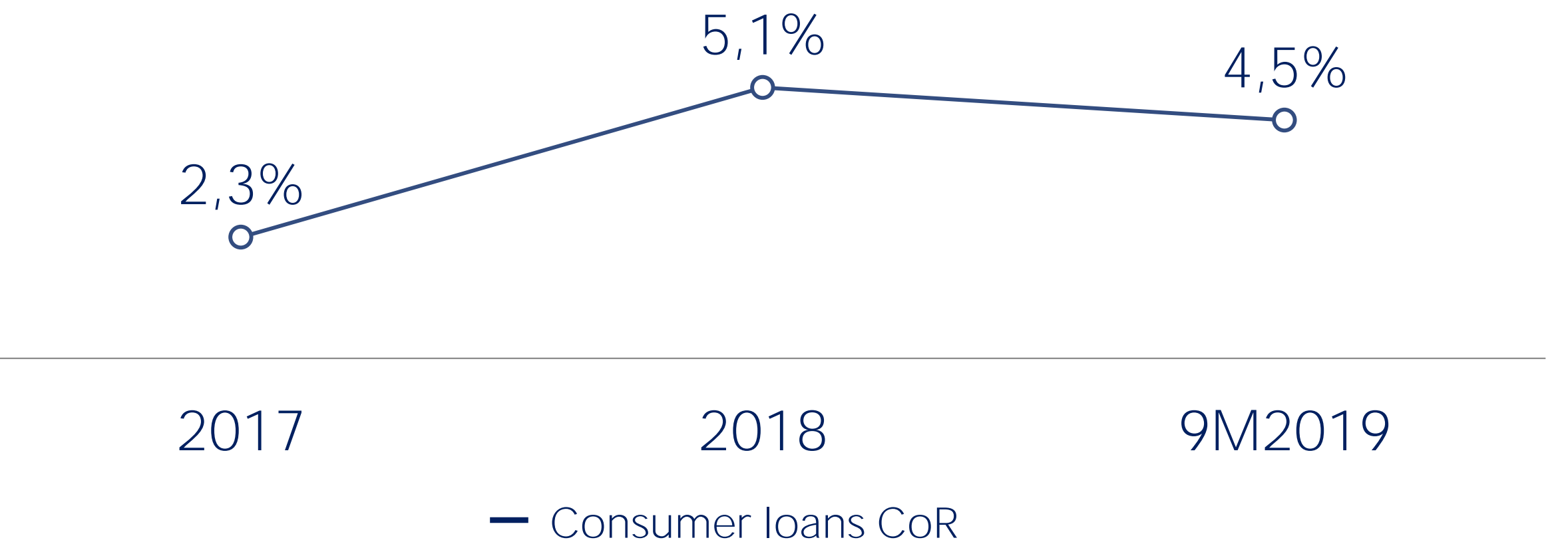


Source: IFRS financial statements (2017 - 9M2019)  
1. Loans to customers and bonds measured at amortized cost  
2. Corporate loans and bonds measured at amortized cost

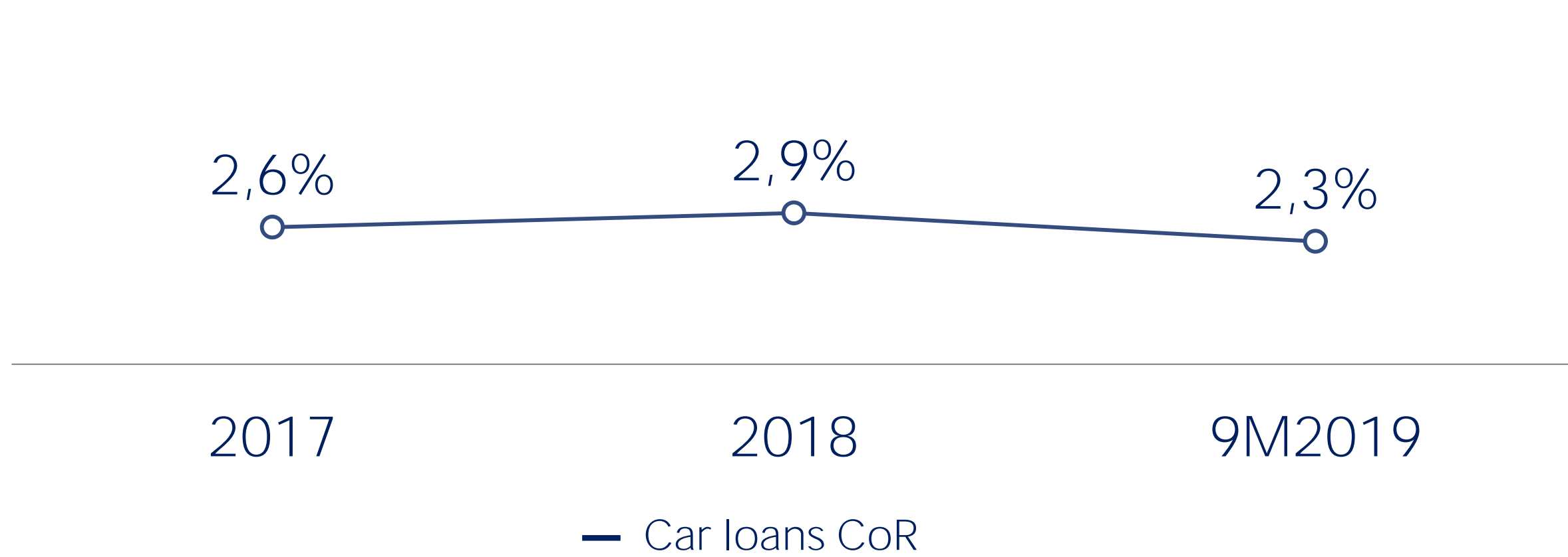
COST OF RISK: MORTGAGE LOANS



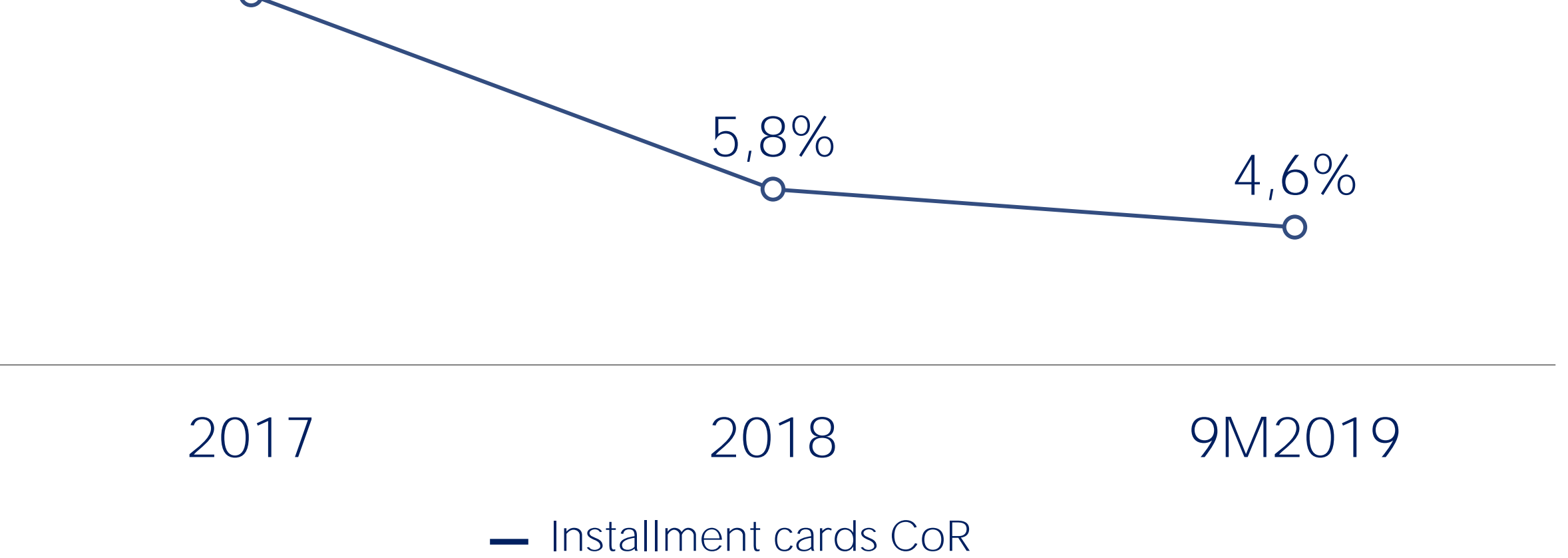
COST OF RISK: CONSUMER LOANS



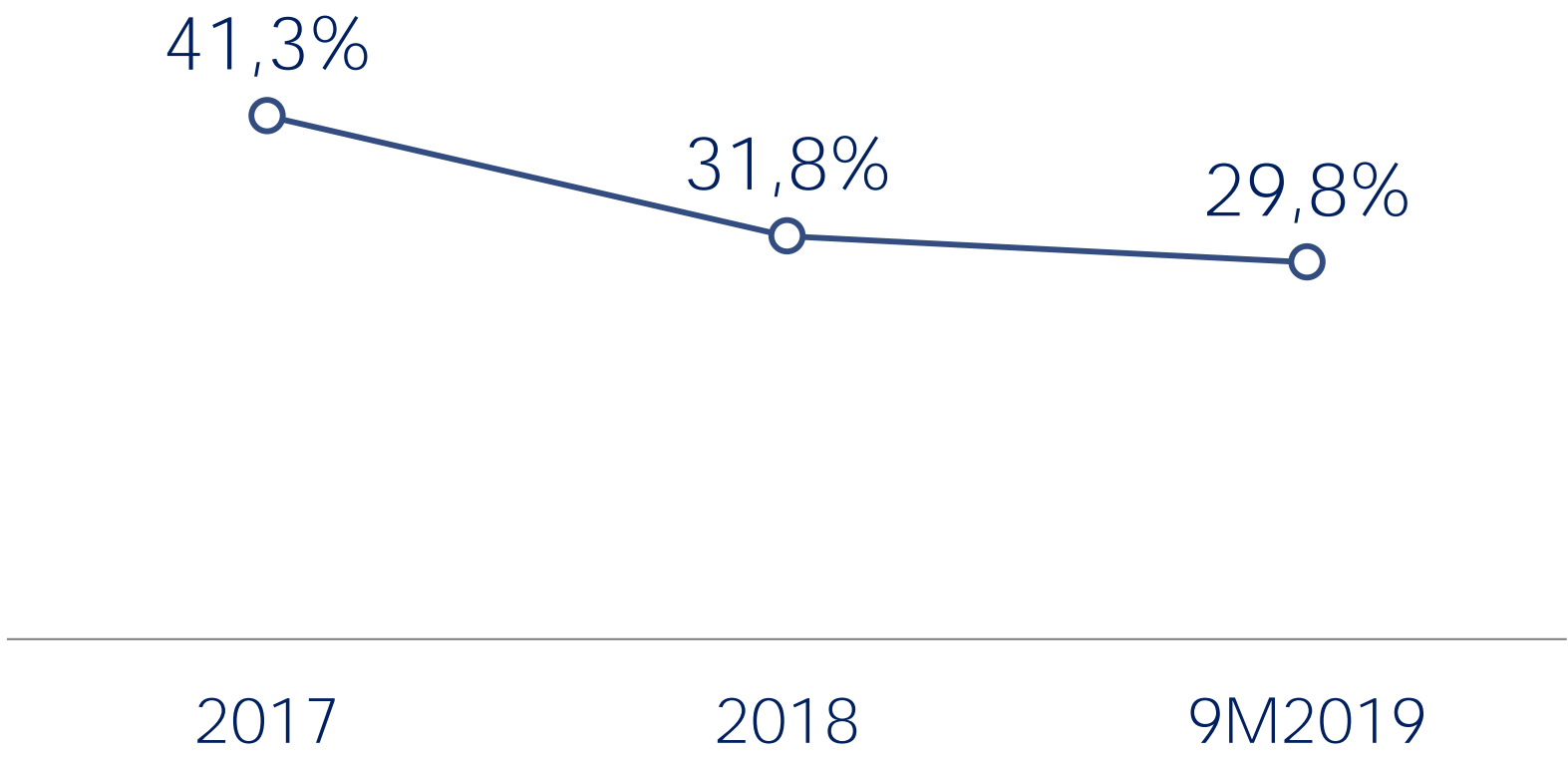
COST OF RISK: CAR LOANS



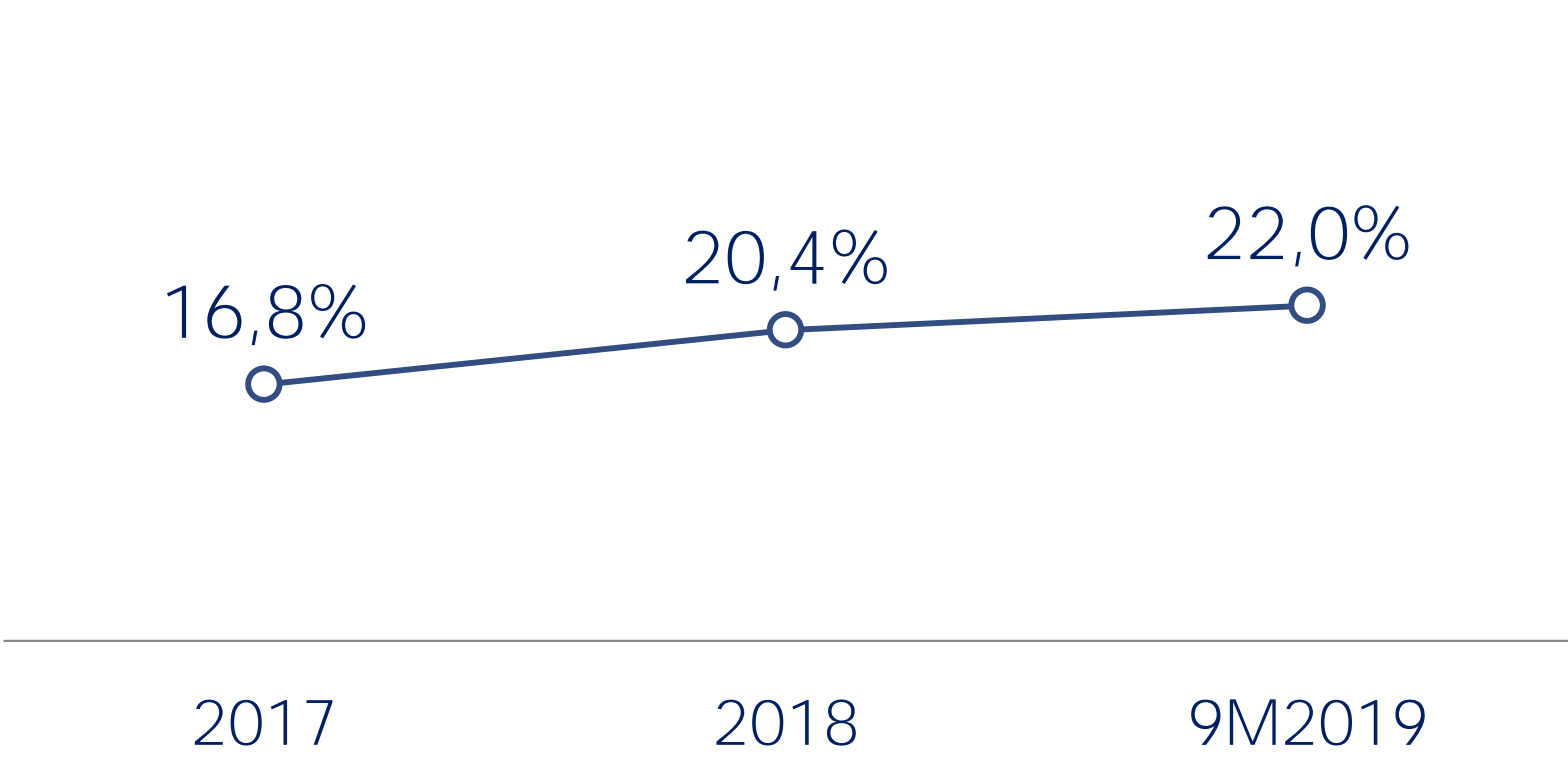
COST OF RISK: INSTALLMENT CARDS<sup>1</sup>



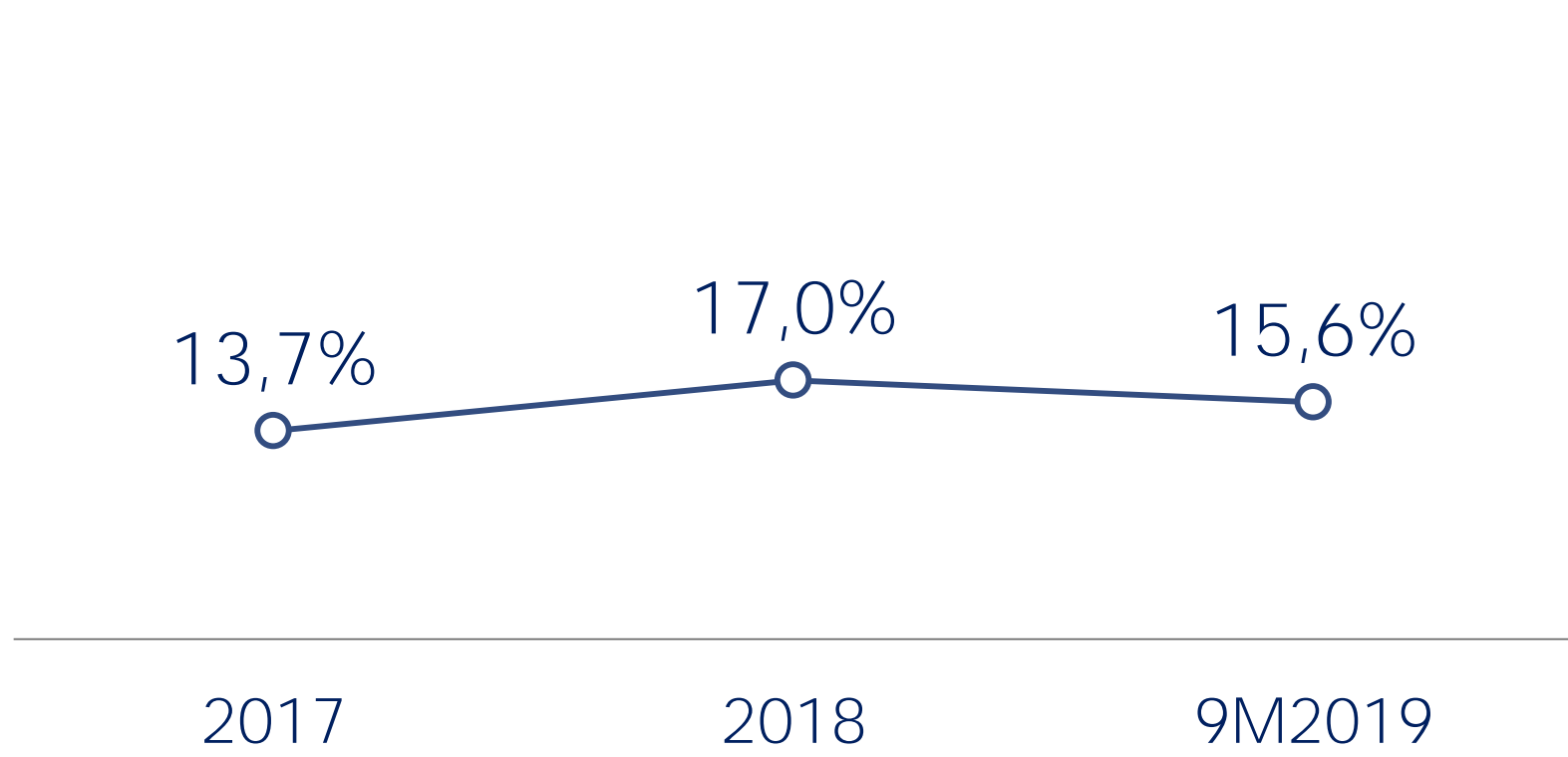
YIELD<sup>1</sup>: CONSUMER LOANS



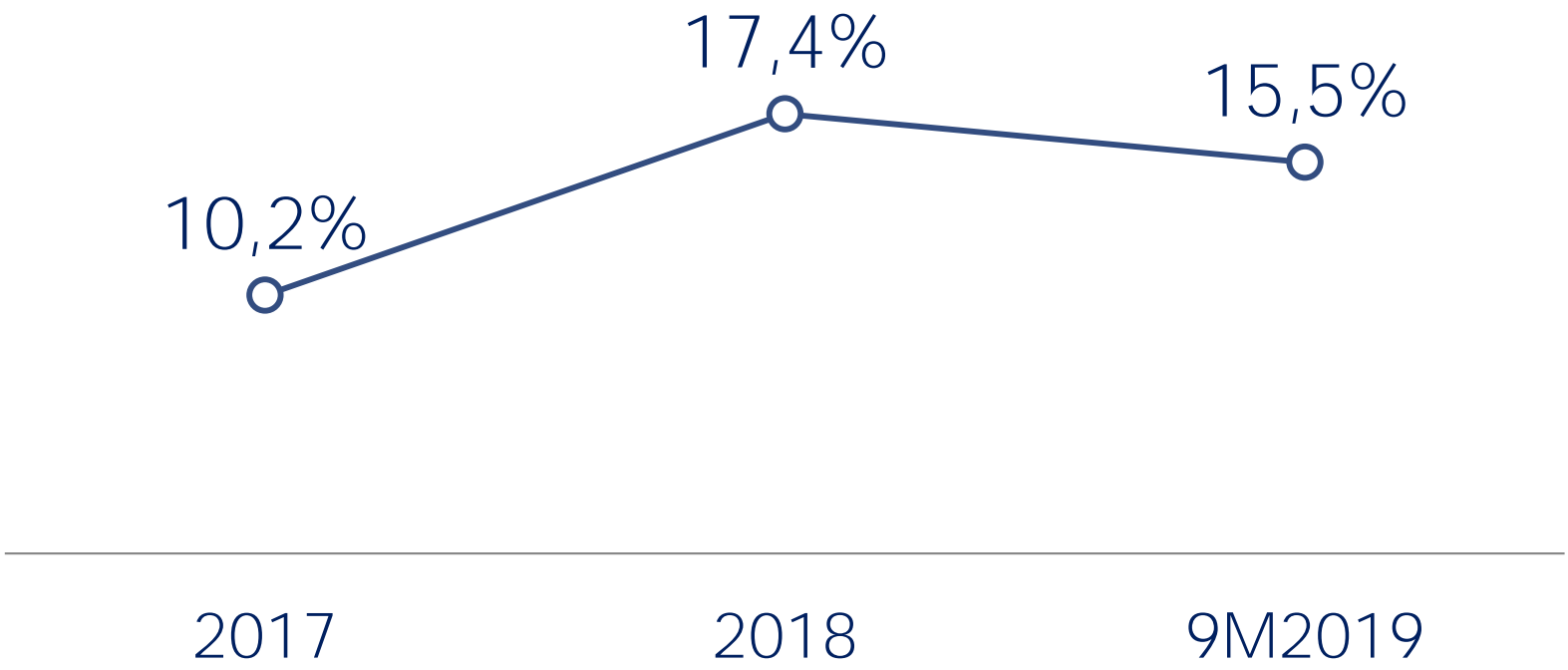
YIELD: INSTALLMENT CARDS



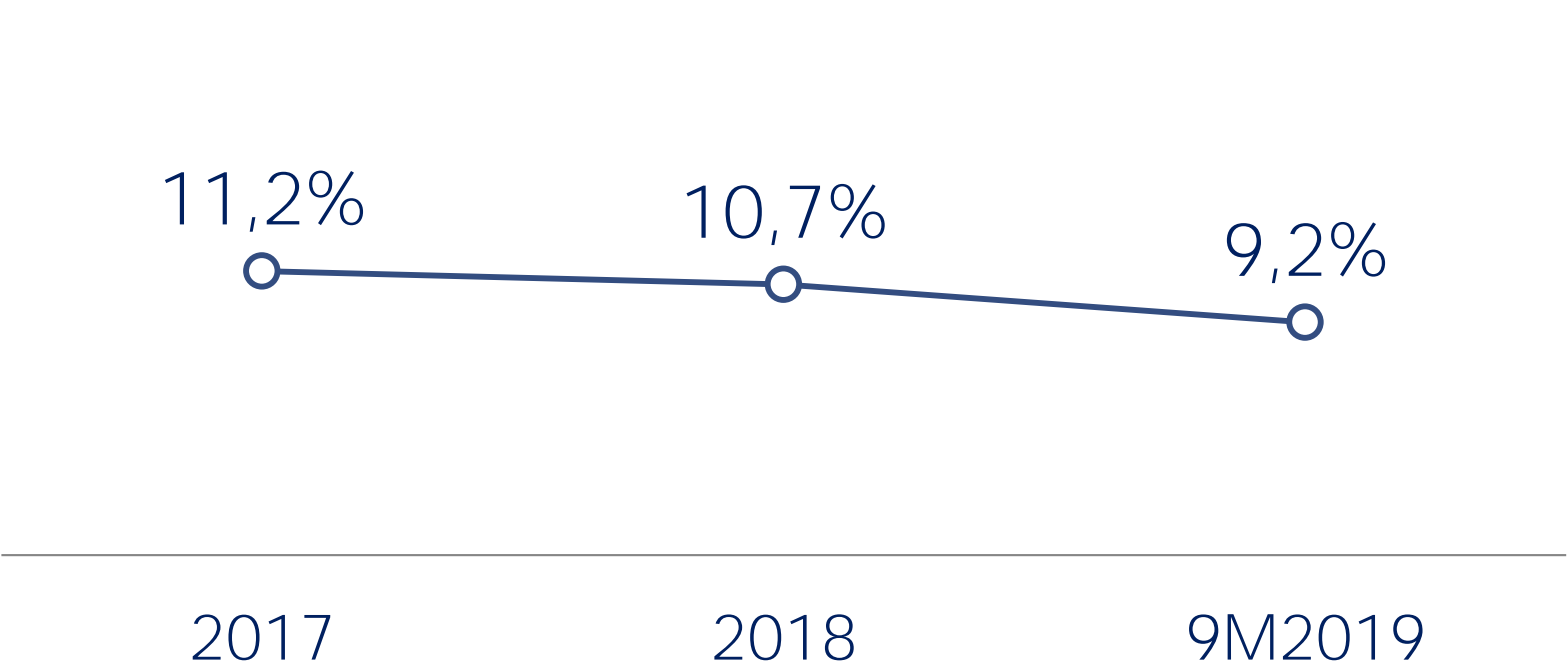
YIELD: MORTGAGE LOANS



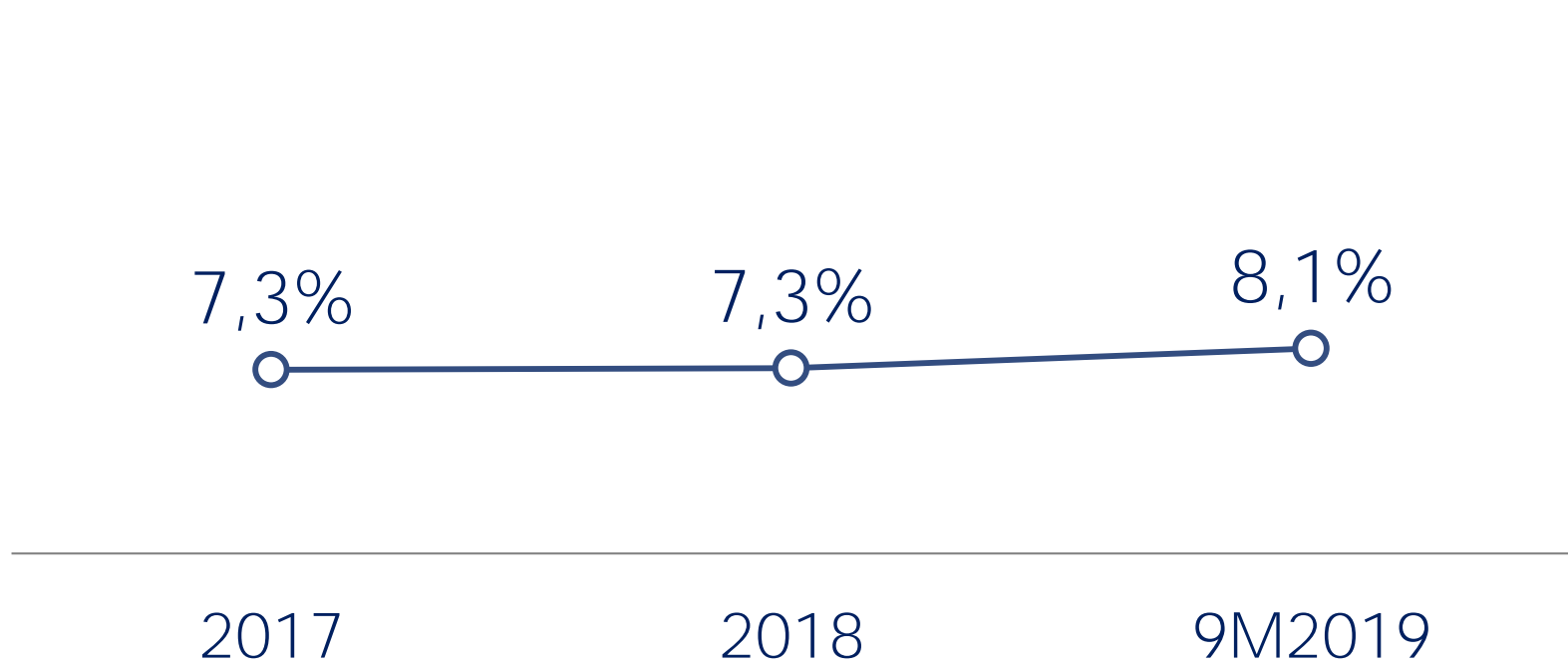
YIELD: CAR LOANS



YIELD: CORPORATE LOANS <sup>2</sup>



YIELD: SECURITIES & INTERBANK <sup>3</sup>



Source: IFRS financial statements (2017 – 9M2019)  
1. Interest expenses / Average loan portfolio less allowance for loan impairment  
2. Corporate loans and bonds measured at amortized cost

3. Placements with banks and financial institutions and bonds measured at amortized cost, Financial instruments at fair value through profit or loss

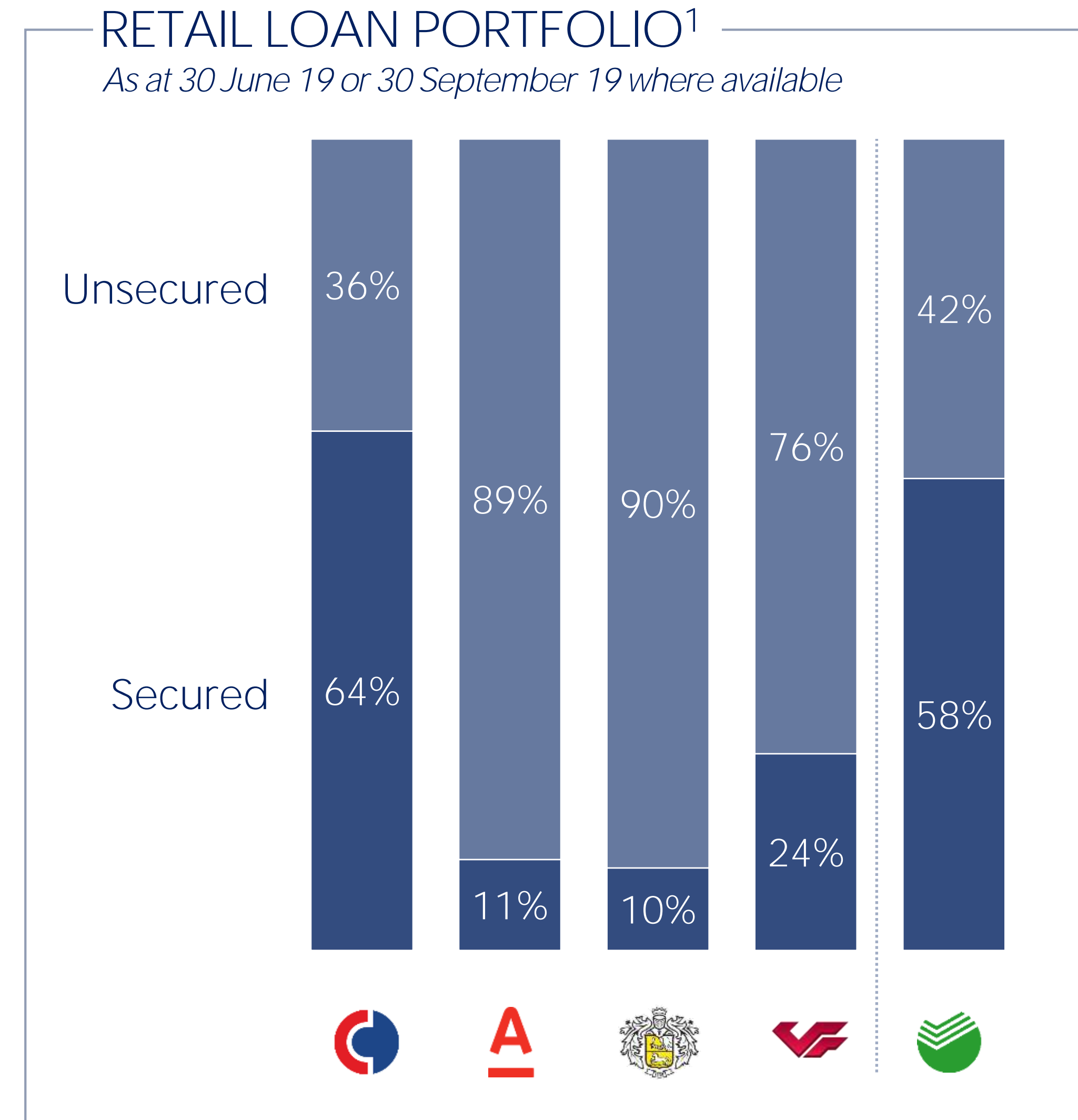
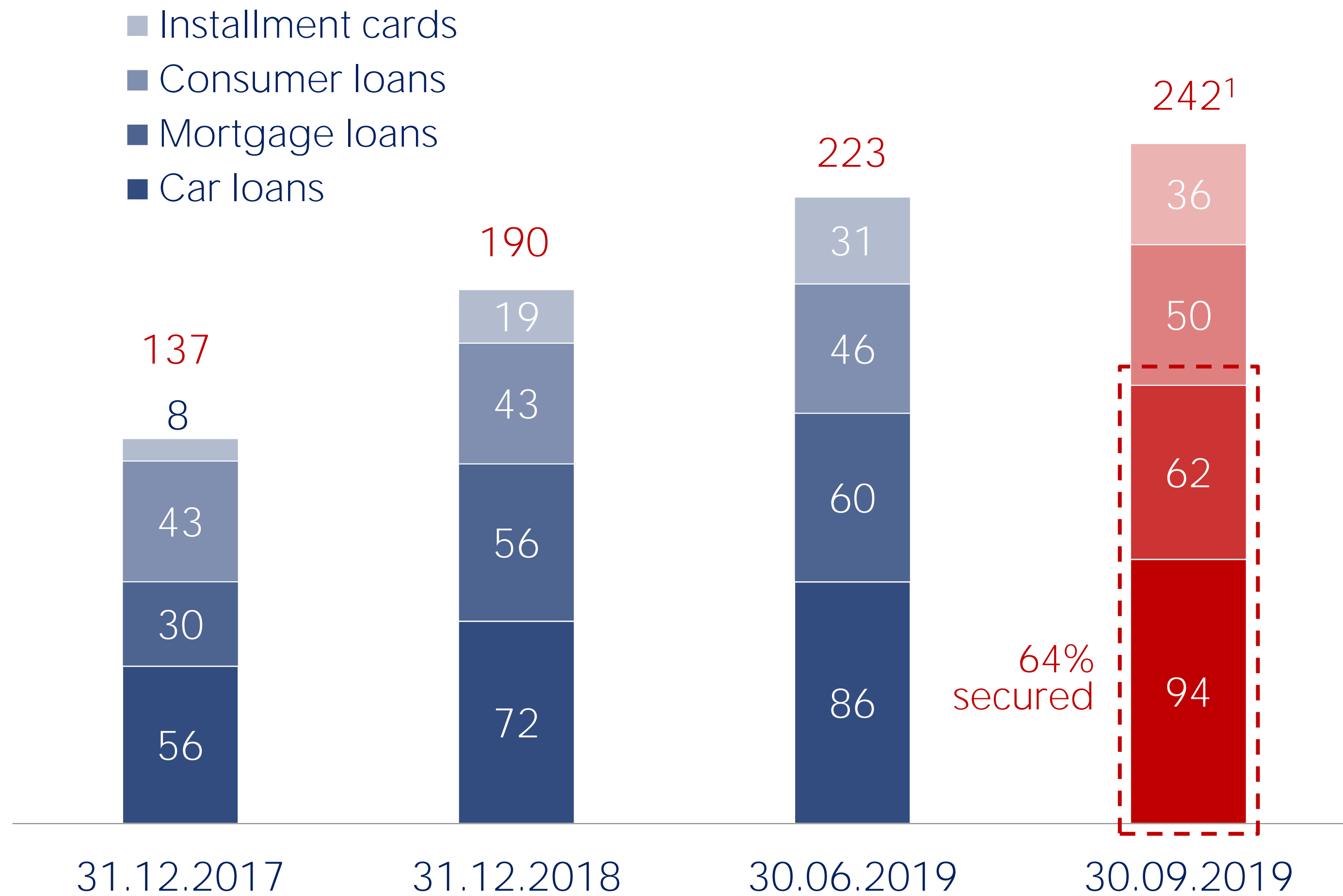


RETAIL

# SECURED LENDING

2/3 of retail loan portfolio

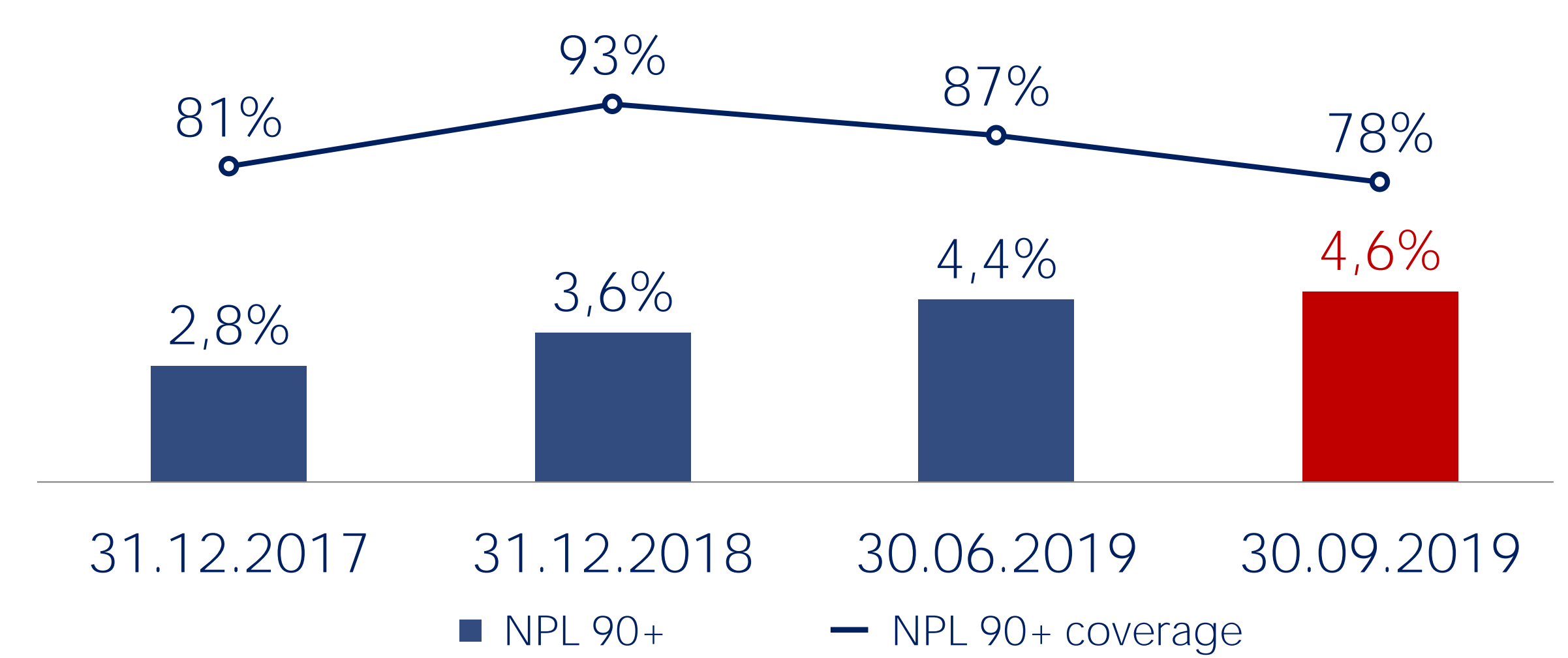
₱BN



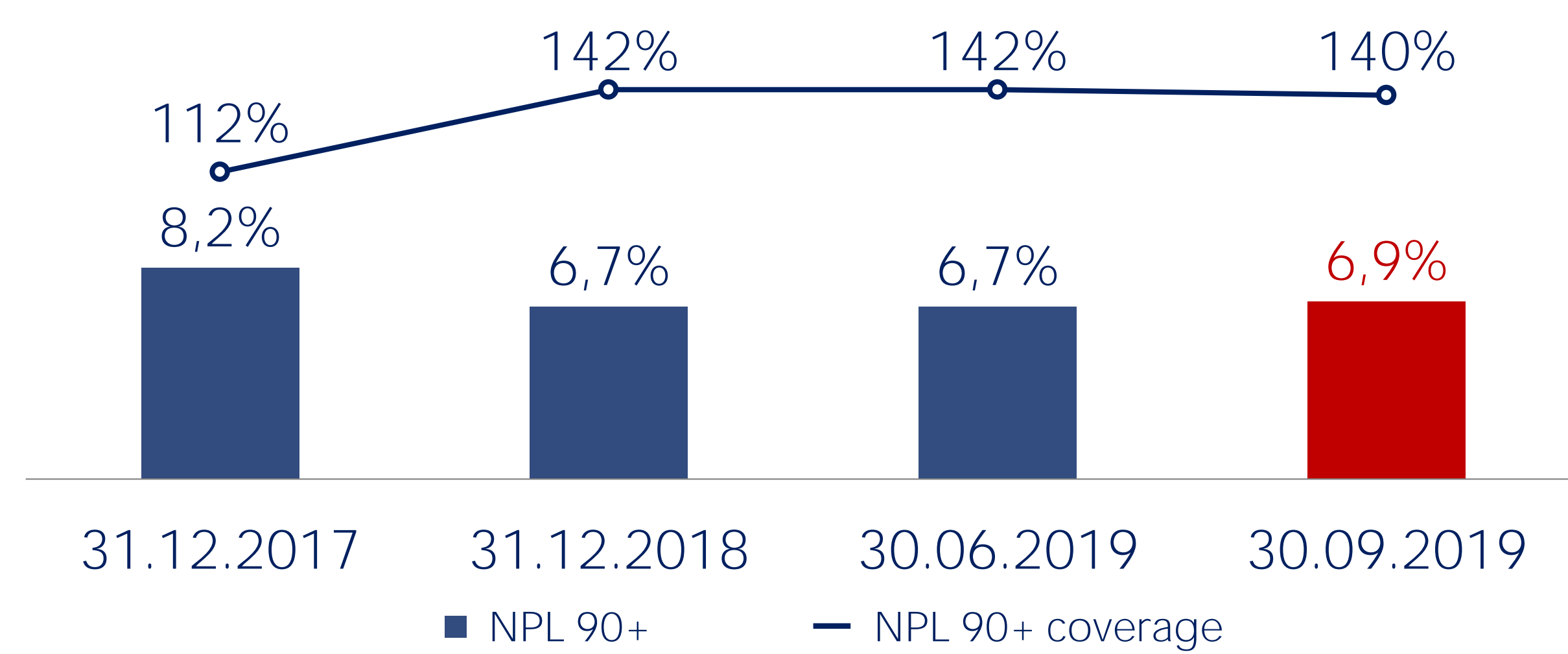
Source: IFRS financial statements (2017 - 9M2019)

1. Retail loans (₱255 BN) less allowance for loan impairment (₱13 BN).

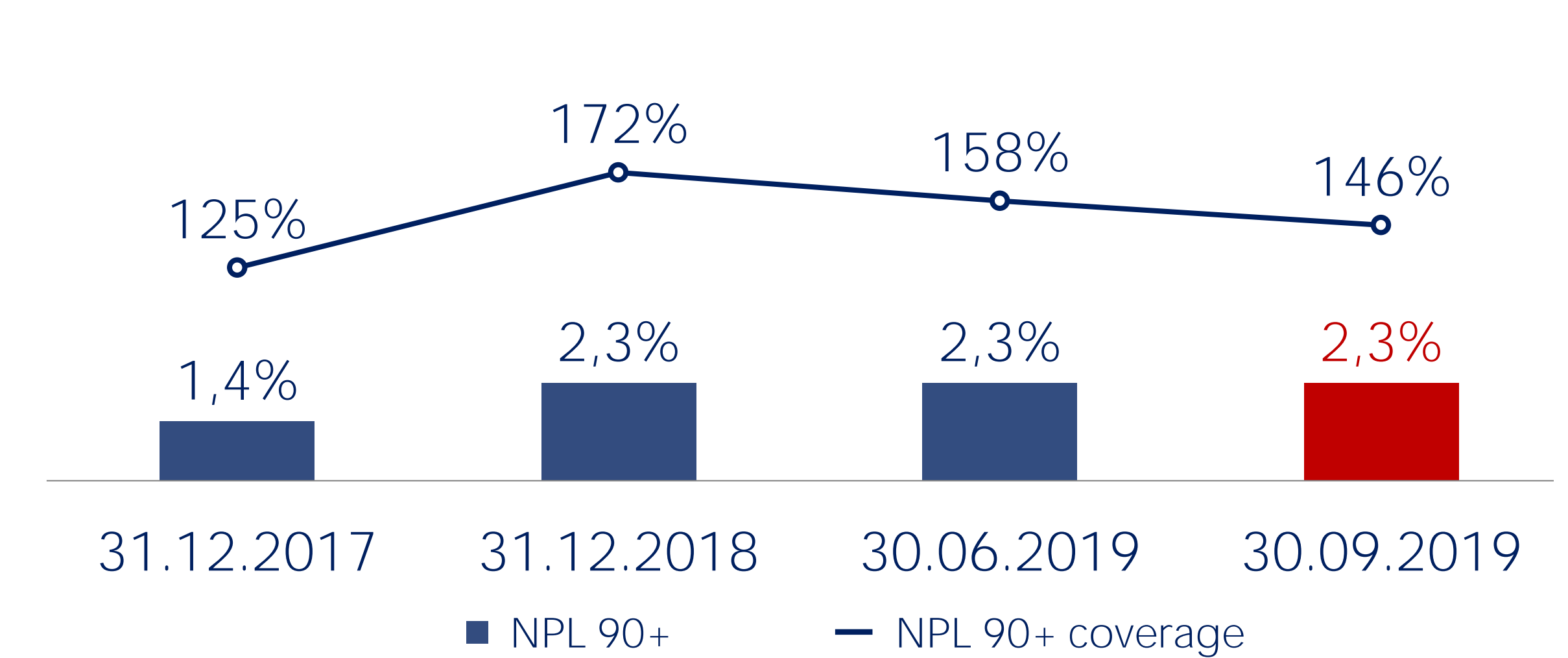
## NPL 90+: MORTGAGE LOANS



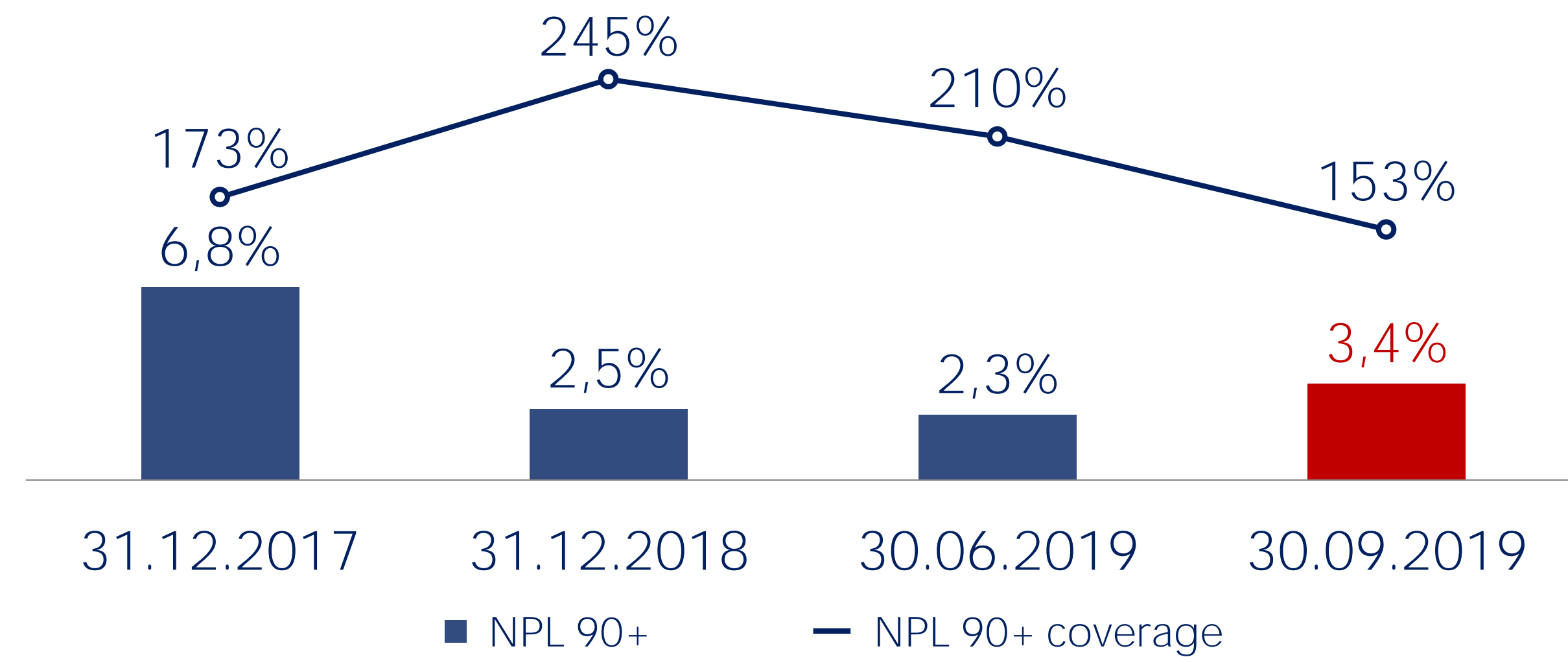
## NPL 90+: CONSUMER LOANS



## NPL 90+: CAR LOANS

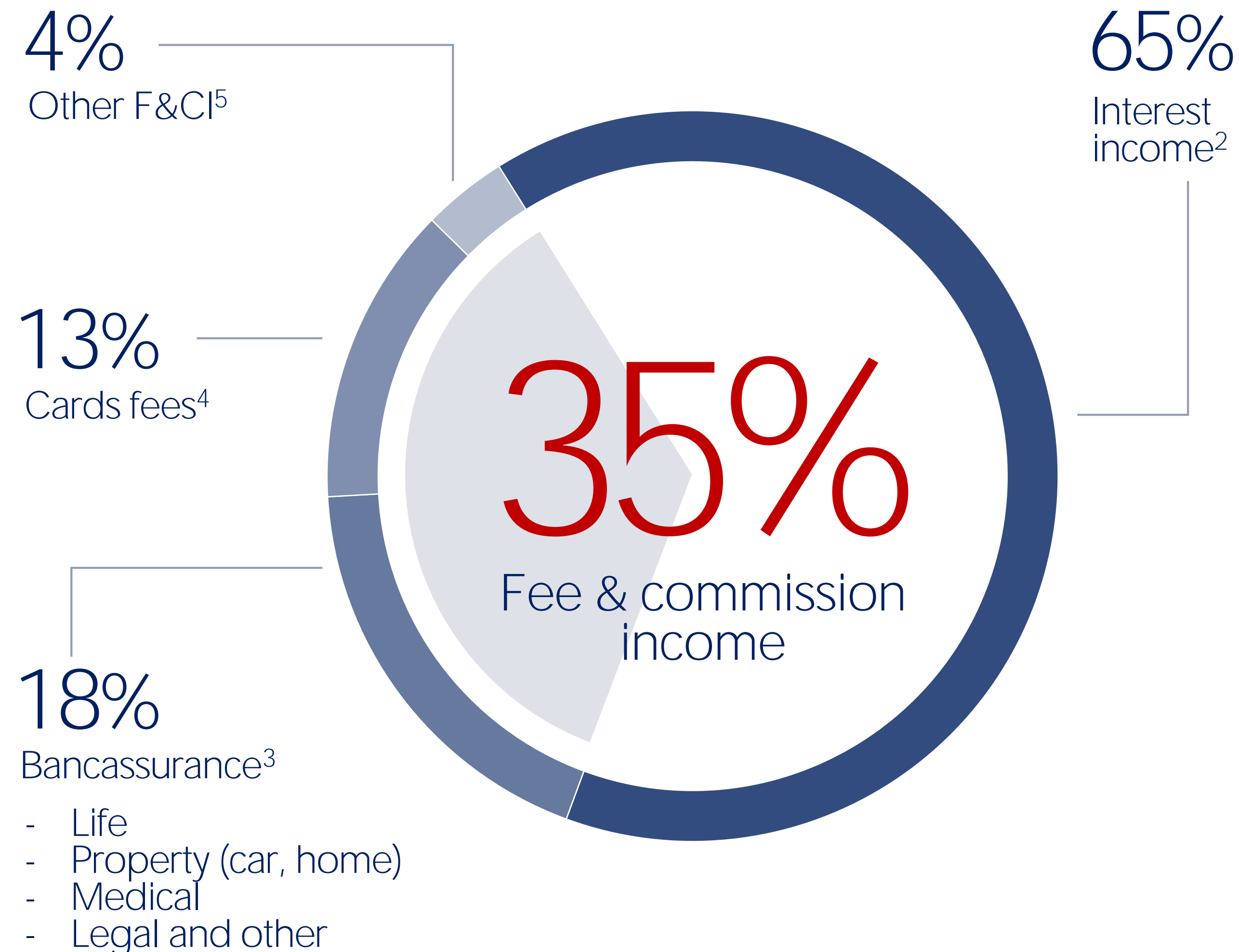


## NPL 90+: INSTALLMENT CARDS<sup>1</sup>

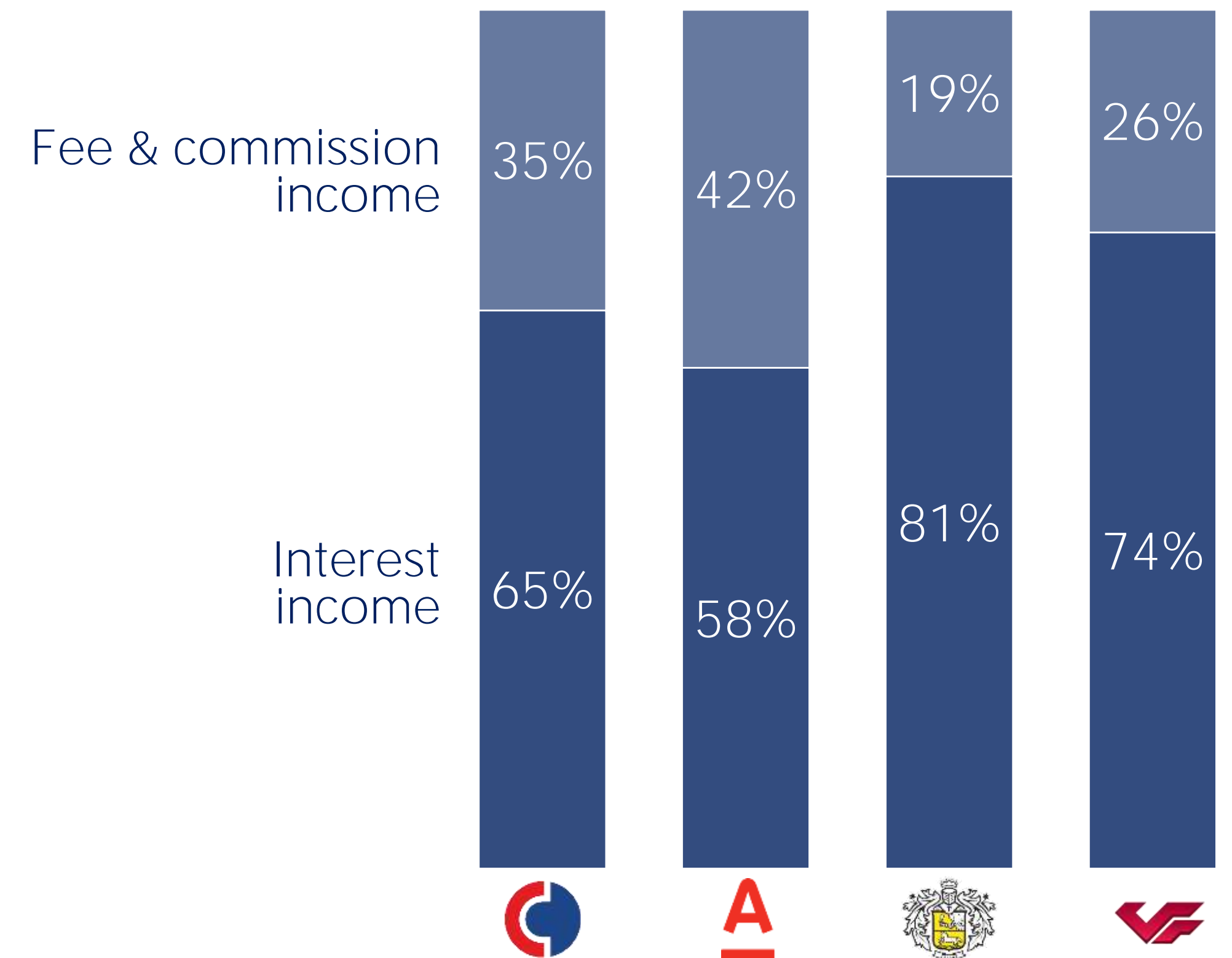


# REVENUE STRUCTURE

Client visits to our offices are an opportunity for cross-selling



RETAIL REVENUE<sup>1</sup> *For 1H19 or 9M2019 where available*



Note: Alfa, TCS, and CBR IFRS data for 1H19. For TCS excludes Net gains from disposals of debt securities at FVOCI, Net gains from debt instruments at FVPL, Credit loss allowance for debt securities at FVOCI and Other operating income, but includes Insurance premiums earned (as part of F&CI) For Alfa and CBM excludes Other operating income and Inter-segment revenue

Source: IFRS financial statements (as at 30 September 2019)

1. Retail segment revenue excludes Inter-segment revenue and Other operating income

2. Interest income (P32,1Bn), as per Note 3 of IFRS FS

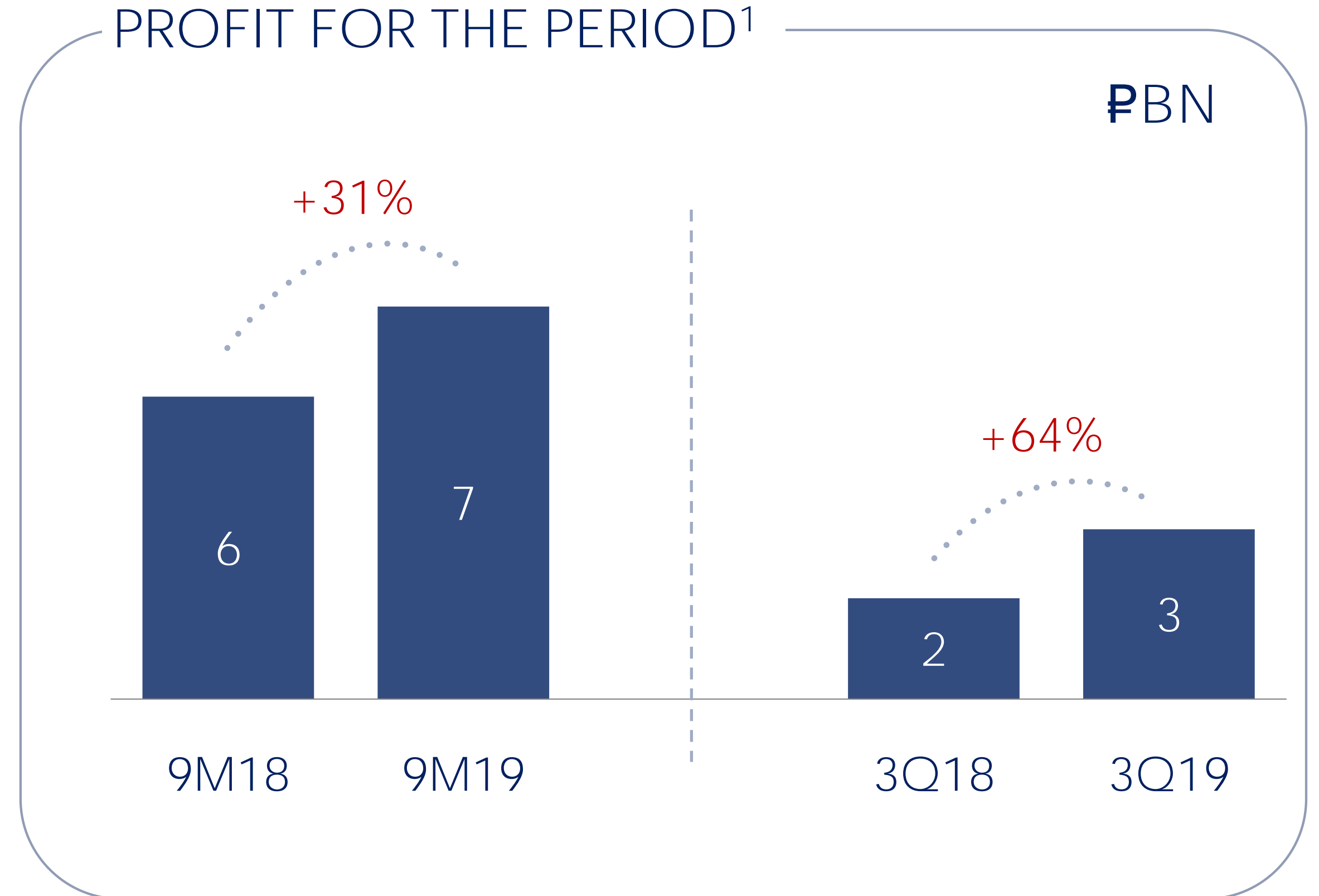
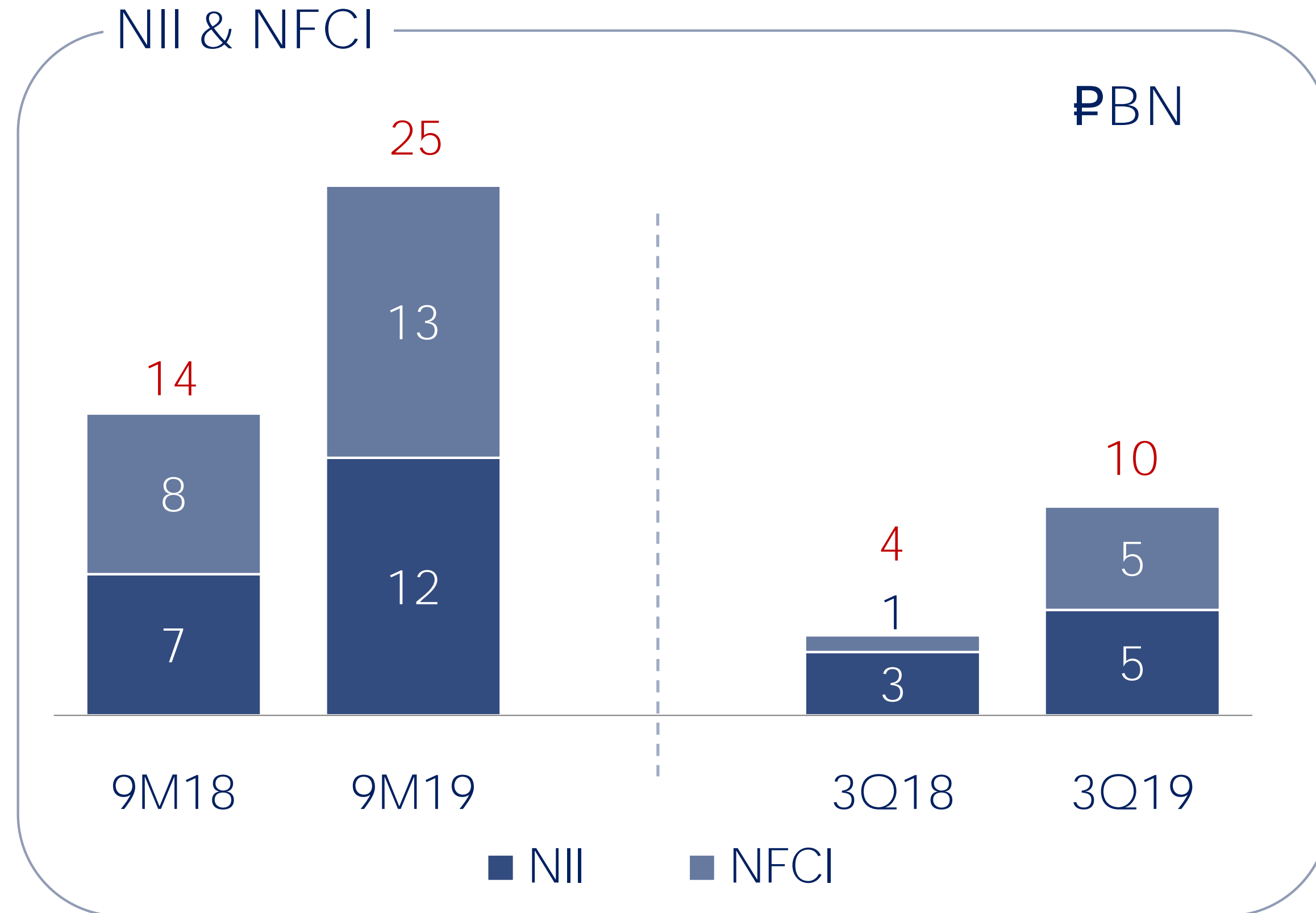
3. F&CI from Financial protection program (P9.2Bn), as per Note 5 of IFRS FS

4. Card fees (P6.6Bn), as per Note 5 of IFRS FS

5. F&CI excl. from financial protection program and card fees, as per Note 3 of IFRS FS

# RETAIL PROFIT

Profit growth mainly due to increase in NFCI



**75%** (NII + NFCI) growth  
9M18 vs 9M19

**31%** Retail profit growth  
9M18 vs 9M19

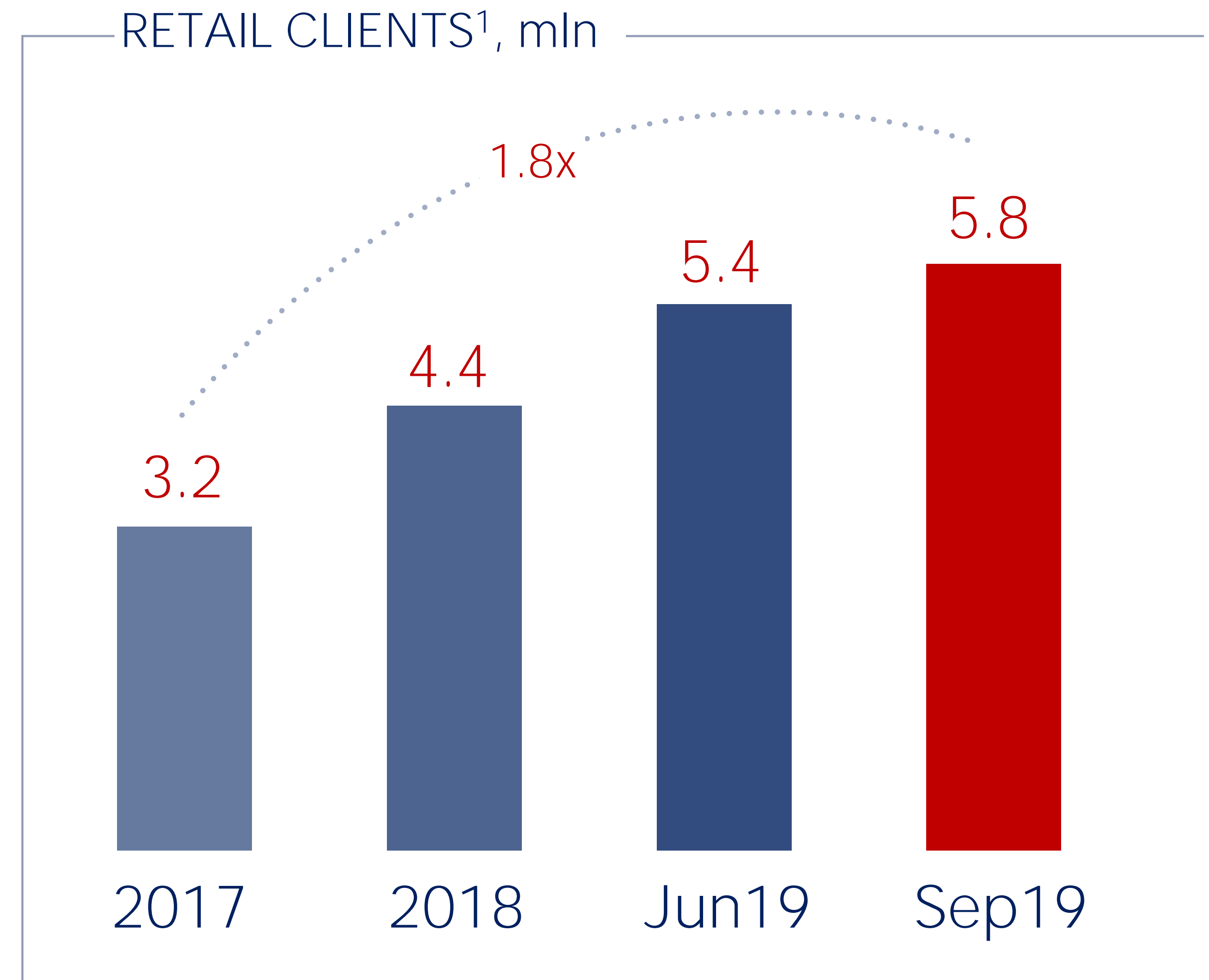
Source: IFRS financial statements (9M2018 - 9M2019)  
Values are subject to rounding: rounded components may not add up to the rounded sum  
1. Retail segment profit for the period before income tax expense \* 0,8



# RETAIL CUSTOMER BASE

Growth in retail via acquisition of new clients

- «Halva» installment card
- 2,447 offices in 1,034 towns
- Online & digital



Source: IFRS financial statements (as at 30 September 2019)

1. As at 30 September 2019, 92% of the Group's retail clients are represented by senior citizens and low and medium income clients

# «HALVA» VALUE PROPOSITION

## CLIENT

**3.8M** cards issued

3% population 20+<sup>1</sup>

0% APR  
economic affordability

## MERCHANT

**170k** partner shops

22% Russian retail<sup>2</sup>

higher check  
less price sensitivity  
new customers

## BANK

**36BN** gross portfolio

NPL 3.4%<sup>3</sup>

client acquisition  
cross-sales  
social responsibility

Source: IFRS financial statements (as at 30 September 2019), [www.gks.ru](http://www.gks.ru)

1. Based on Company estimates and Rosstat, as at 1 January 2019, whereas adult population is defined as 20 years old and older

2. Based on Company estimates and data published by Rosstat, as at 31 December 2018

3. Installment cards NPL ratio



# BROAD NETWORK IN REGIONS

Vast majority of clients prefer to visit our offices

1,034

towns

national scale

2,447

offices

small towns

100M

clients

an hour from  
our office

## MINI-OFFICE

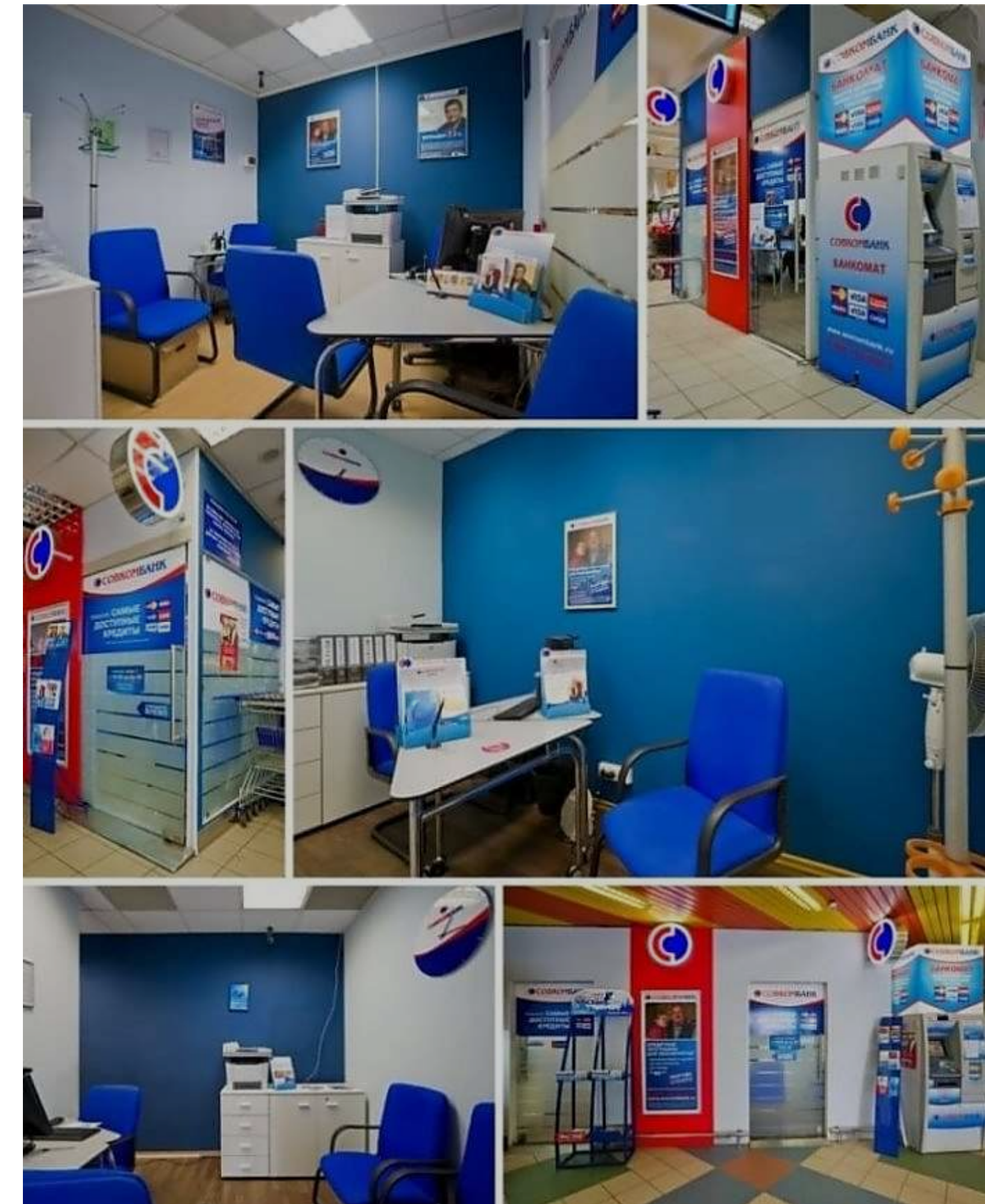
2  
employees

₹2M

CAPEX to  
open an office

₹100k

OPEX per month



# DIGITAL BANK

Internet and mobile app play an important role in our retail

1M

monthly loan  
applications online

ATM



Chat-bot

11k

daily mobile app  
installations

Internet-bank



Digital &  
remote



Call-center

400k

DAU<sup>1</sup>



Mobile app

1,7M

MAU<sup>2</sup>

Source: Company disclosure

1. DAU - daily average users of mobile app and Internet bank

2. MAU - monthly average users of mobile app and Internet bank



# «HALVA» NETWORK EFFECT

Additional client or shop adds value to others

A client purchases goods or services with «Halva»



A client pays the principle (the product price) by instalments over 2 to 18 months

A shop pays commission upfront ~1.25% per month of instalment plan

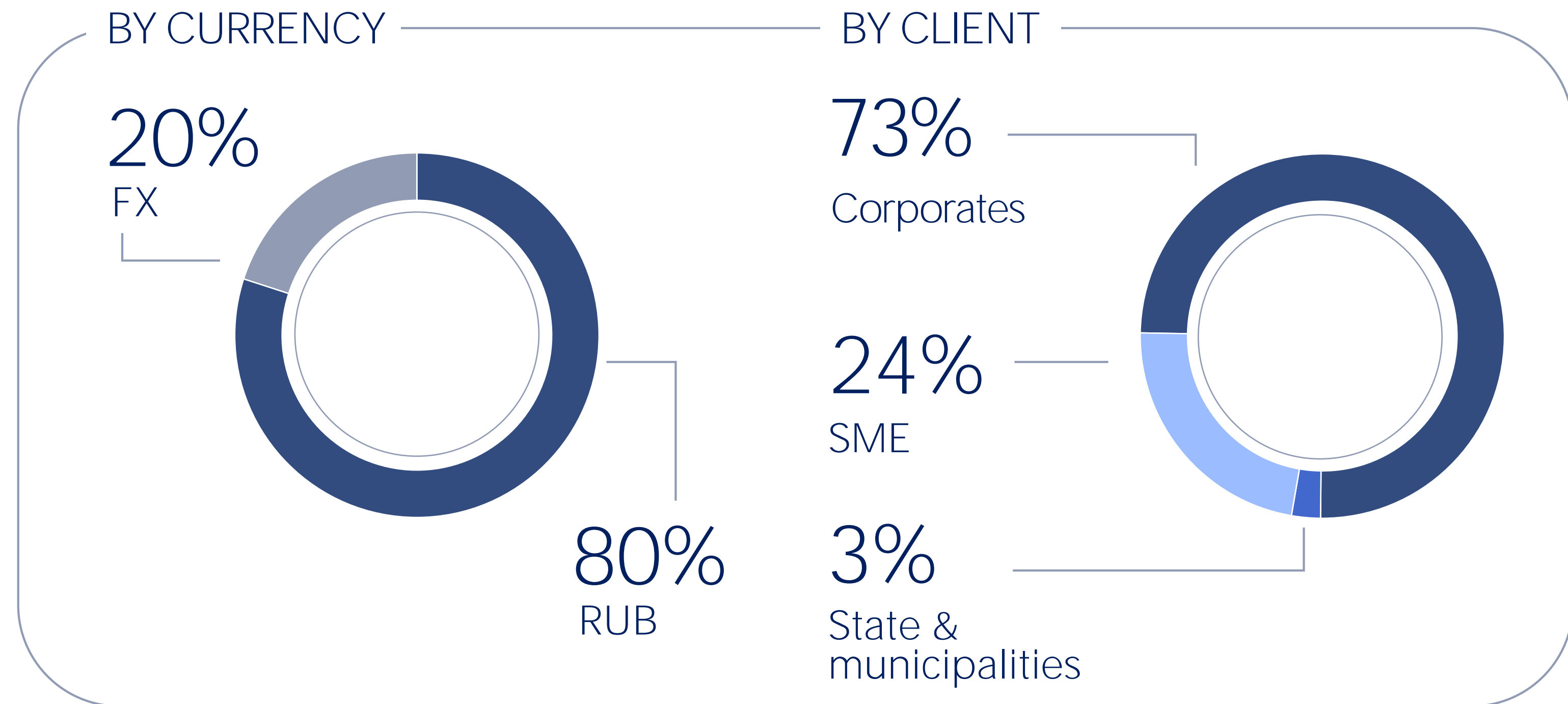
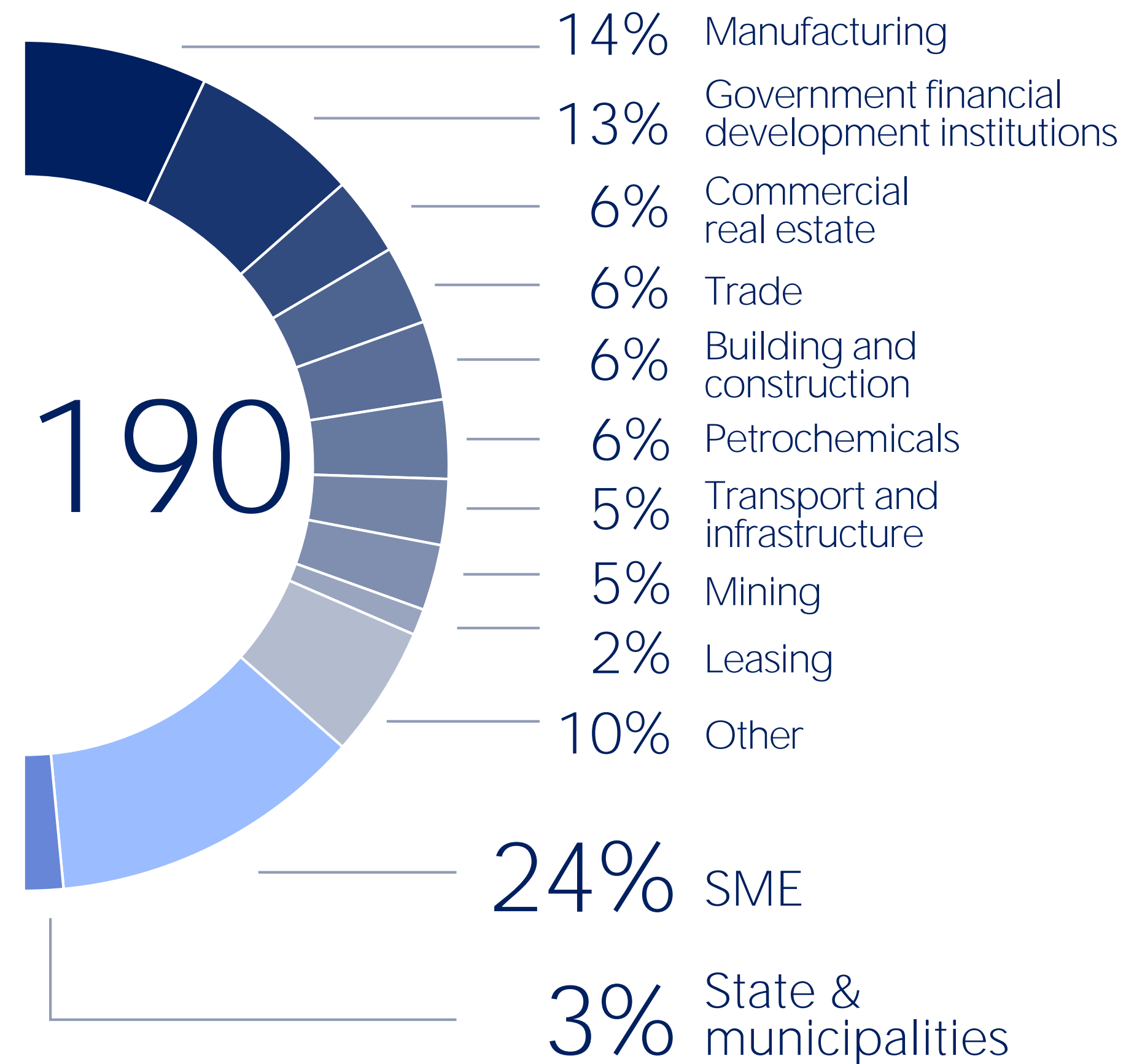


# CORPORATE BANKING

# CORPORATE LOANS<sup>1</sup>

₽BN

Corporate loan portfolio - 1.5x total equity



2.6%

Stage 3 & POCI corporate loans

145%

Stage 3 & POCI coverage<sup>2</sup>

1.2%

Related party loans<sup>2</sup> / Equity

Source: IFRS financial statements (as at 30 September 2019)

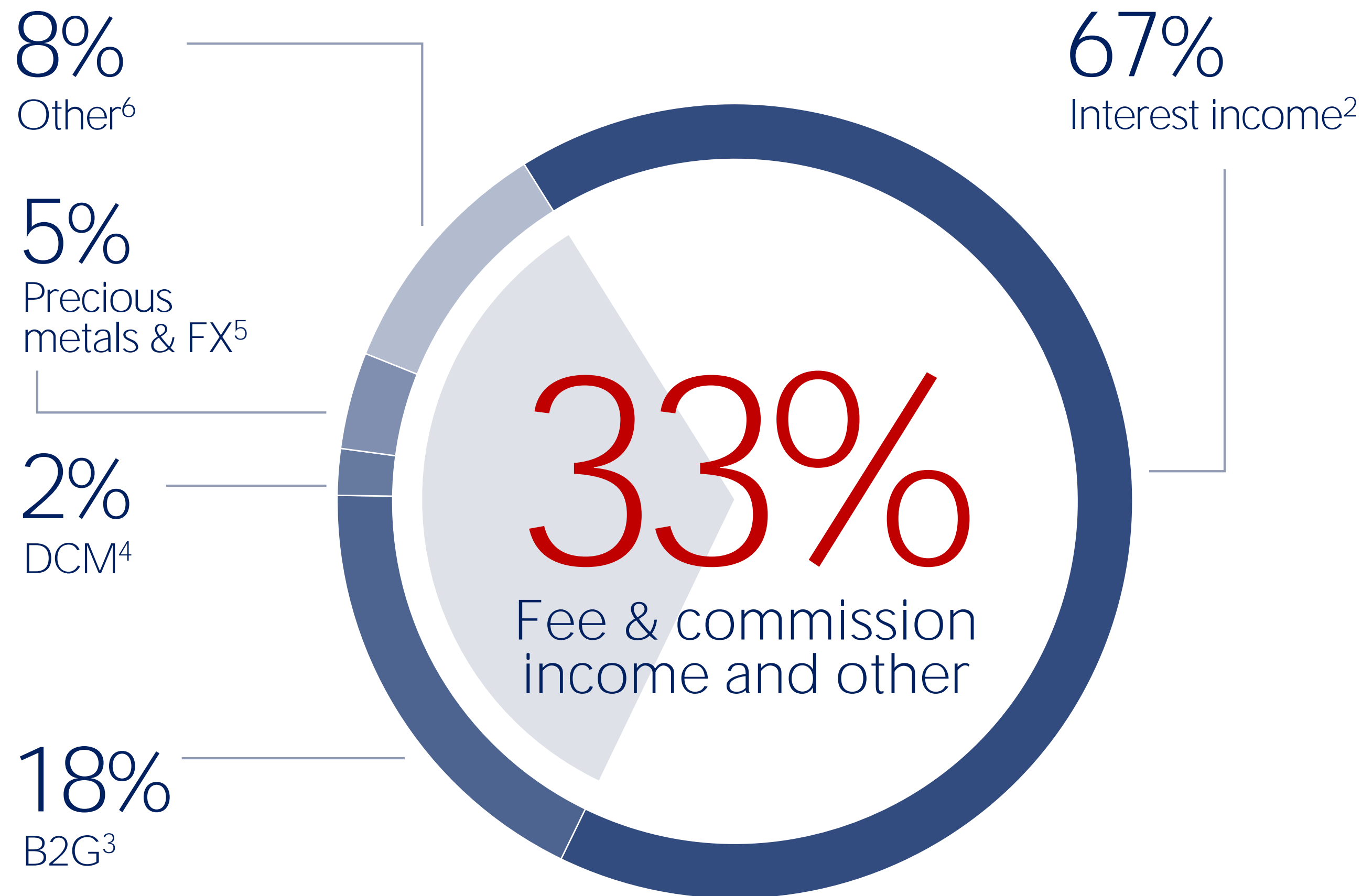
1. Corporate loans, Loans to small businesses and other loans to customers and Loans to constituent entities and municipalities of the Russian federation, less allowance for loan impairment

2. Related party loans less allowance for loan impairment

3. (Allowance for corporate loans and bonds measured at amortized cost - Allowance for impairment of corporate bonds at amortized cost) / (Stage 3 Corporate loans + Stage 3 Loans to small businesses and other loans to customers + Stage 3 Loans to constituent entities and municipalities of the Russian federation)

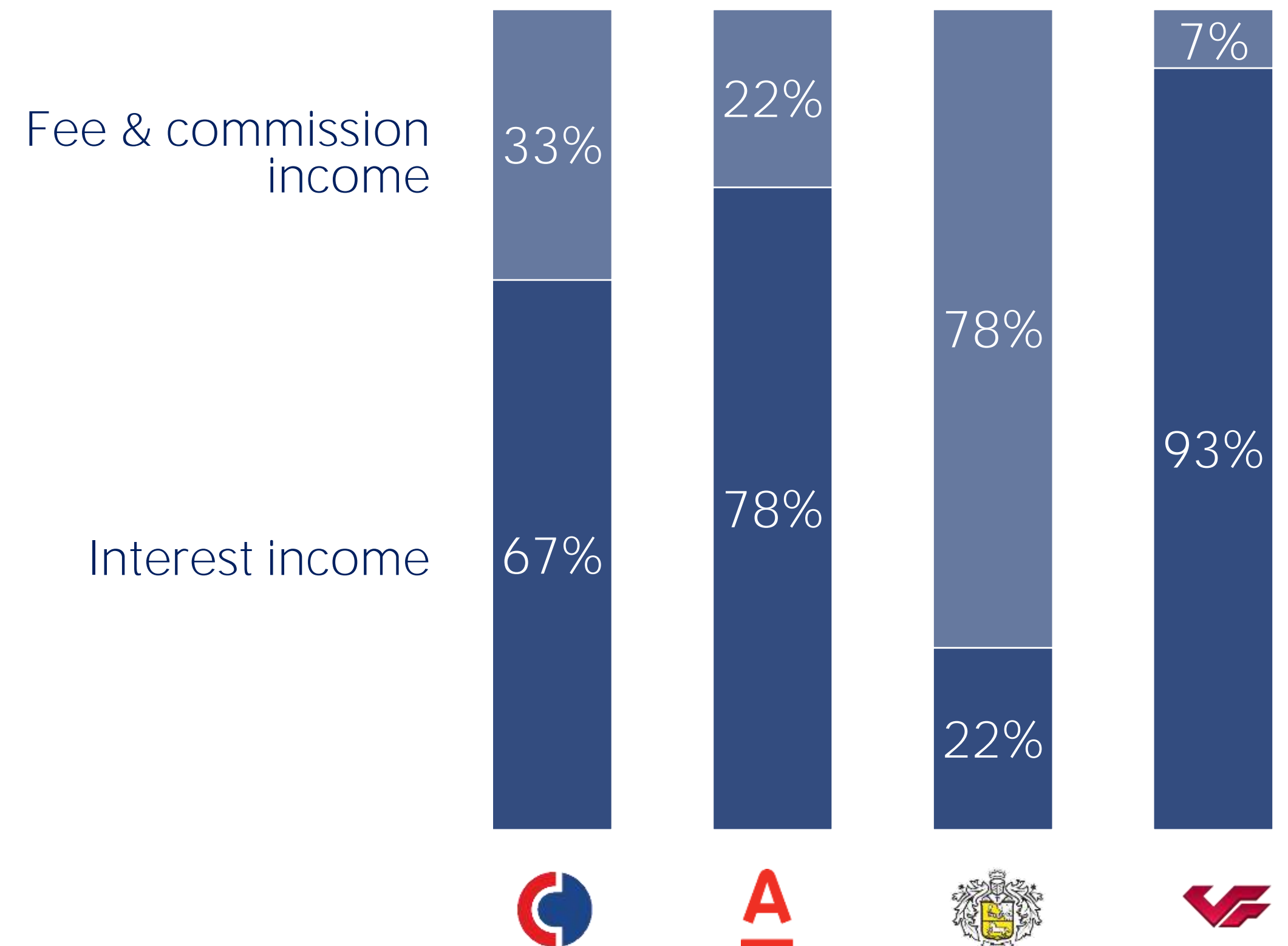
# CORPORATE REVENUE STRUCTURE

High share of fee & commission income mainly due to B2G



## CORPORATE REVENUE<sup>1</sup>

For 1H19 or 9M2019 where available



Source: Company disclosure, IFRS financial statements (as at 30 September 2019)

1. Corporate segment revenue excludes Inter-segment revenue

2. Interest income (₱14.8Bn), as per Note 3 of IFRS FS

3. F&CI from Bank guarantees (₱2.2Bn) and digital public procurement platform (₱1.7Bn), as per Note 5 of IFRS FS

4. F&CI from operation with securities (₱371Mn), as per Company disclosure

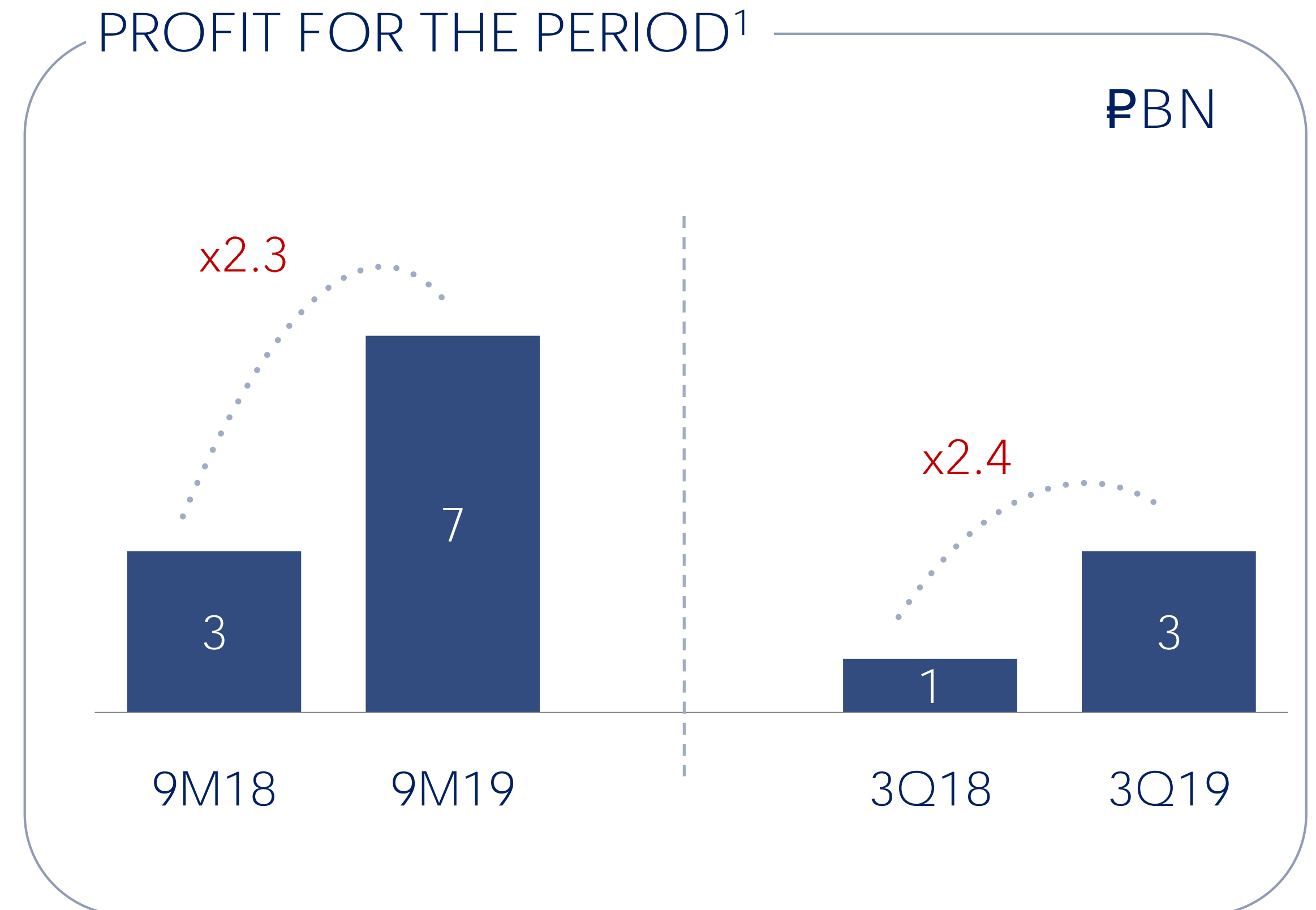
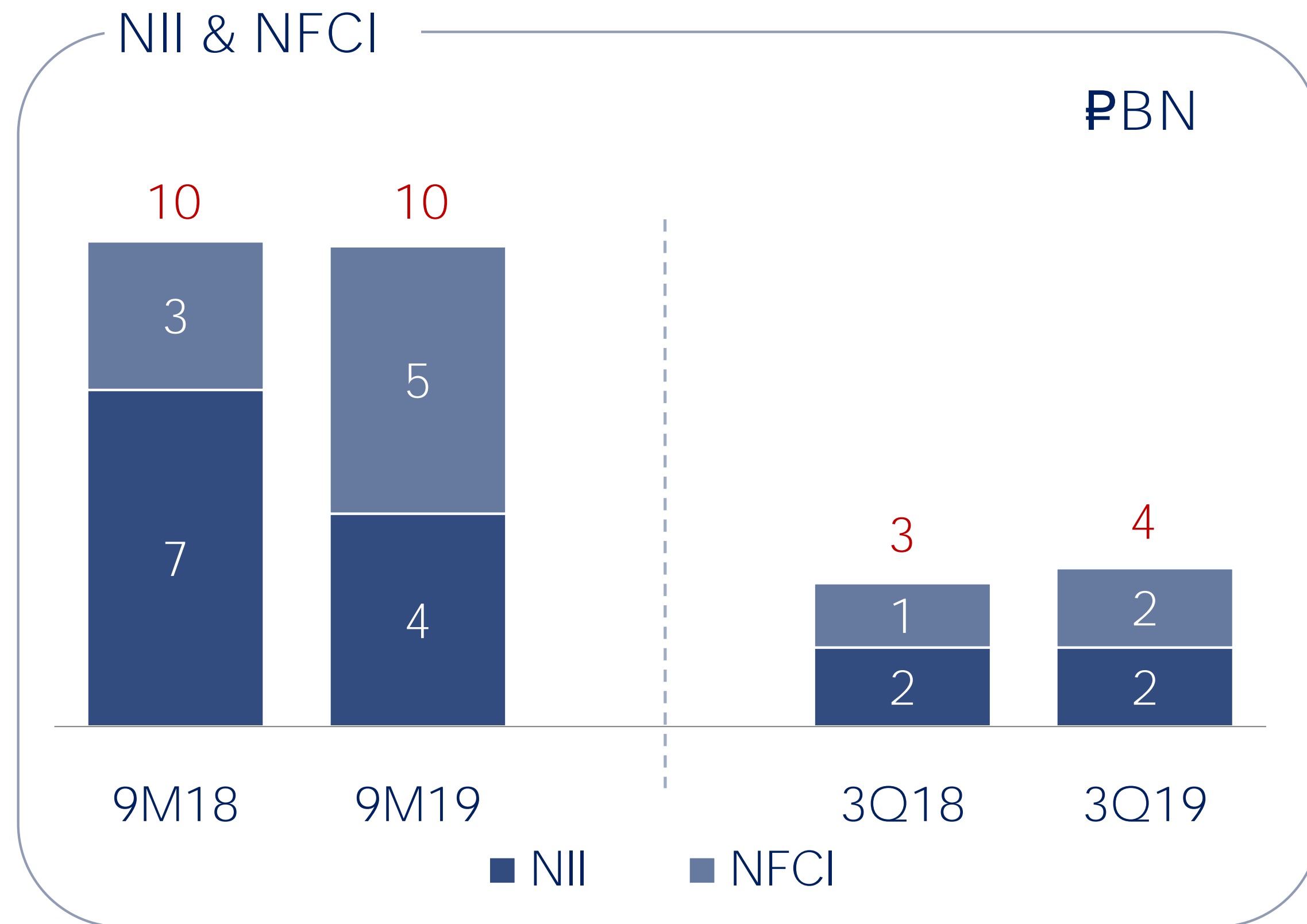
5. Net gain on foreign exchange and transactions with precious metals (₱990Mn), as per Note 3 of IFRS FS

6. F&CI (excl. F&CI from Bank guarantees and digital public procurement platform), Net gain on financial instruments at FVPL (₱167Mn), Other operating income (₱150Mn), as per Note 3 of IFRS FS

Note: Alfa, TCS, and CBR IFRS data for 1H19. TCS revenue represents "SME accounts services" which accounts for 7.5% of Total revenue for the six months ended 30 June 2019

# CORPORATE PROFIT

Flat revenue, high share of NFCI



**57%** NII growth  
9M18 vs 9M19

**x2.3** Corporate profit growth  
9M18 vs 9M19

Source: IFRS financial statements (9M2018 - 9M2019)

Values are subject to rounding: rounded components may not add up to the rounded sum

1. Corporate segment profit for the period before income tax expense \* 0,8

# PUBLIC PROCUREMENT PLATFORM

The Group facilitates 28% public procurement in Russia

514,000

SME suppliers

91k bank guarantees  
issued 9M2019

₽509k average  
bank guarantee

291,000

State & municipal buyers

1.6M contracts signed  
in 1H2019

# DCM

## Relationship with blue chips

100

out of 500 Blue chip companies

222

issuances 2016 – 9M2019

#1<sup>1</sup>

by number of issuances  
among private banks

₽1,5T

total volume of issuances  
2016 – 9M2019

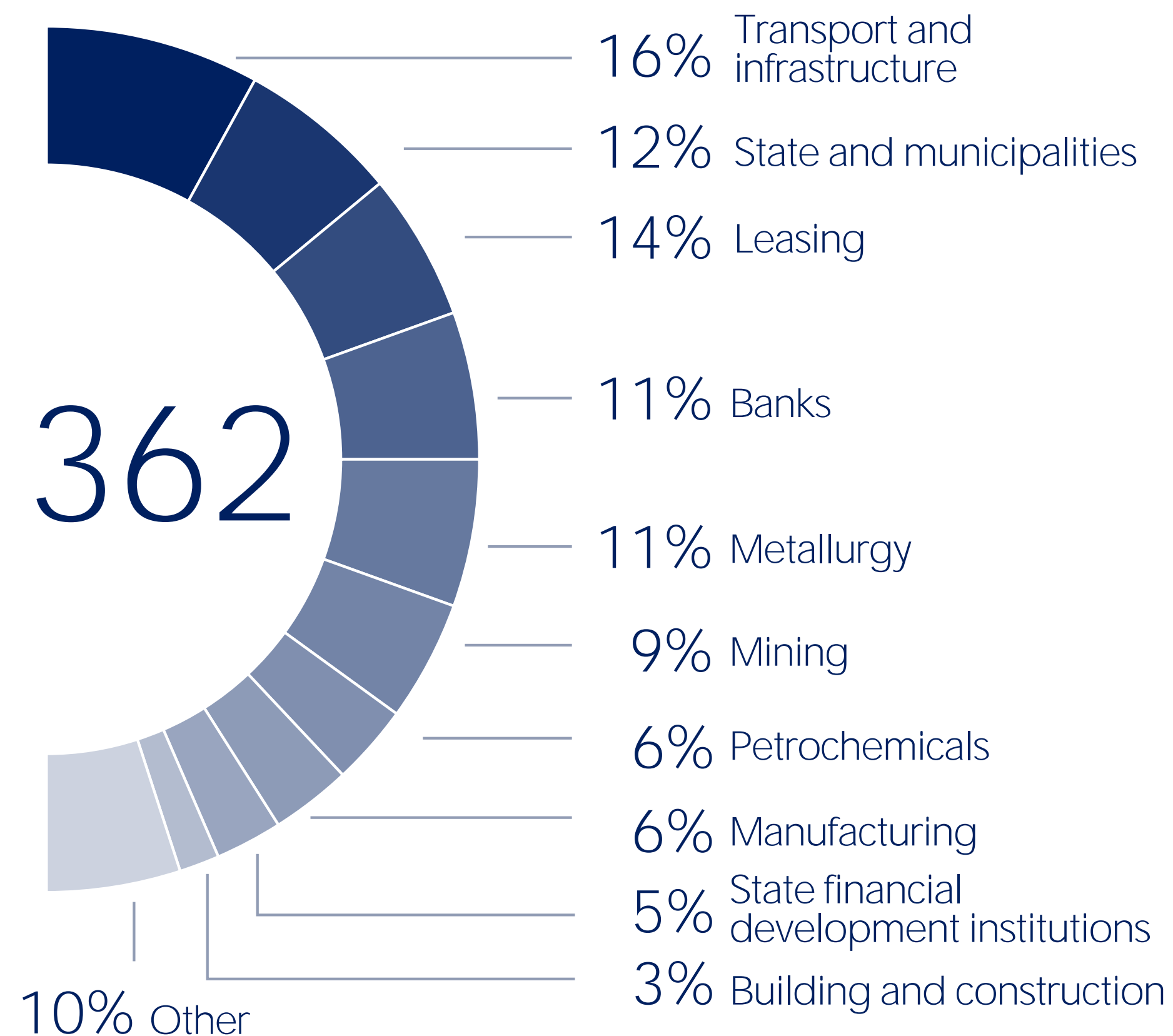


TREASURY

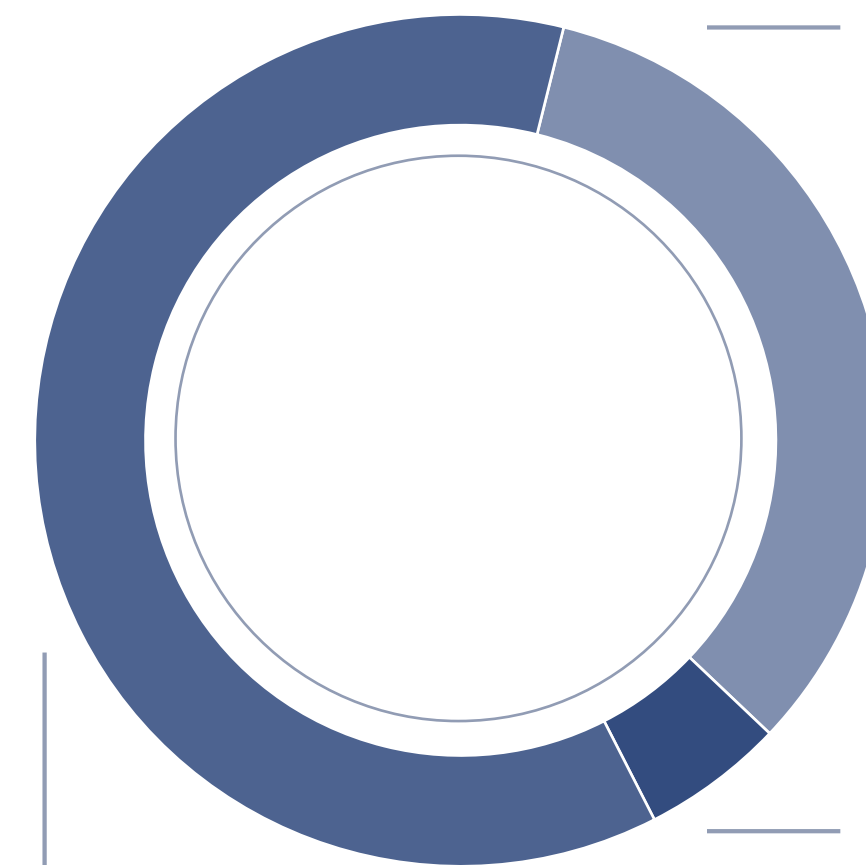
# BOND PORTFOLIO<sup>1</sup>

₽BN

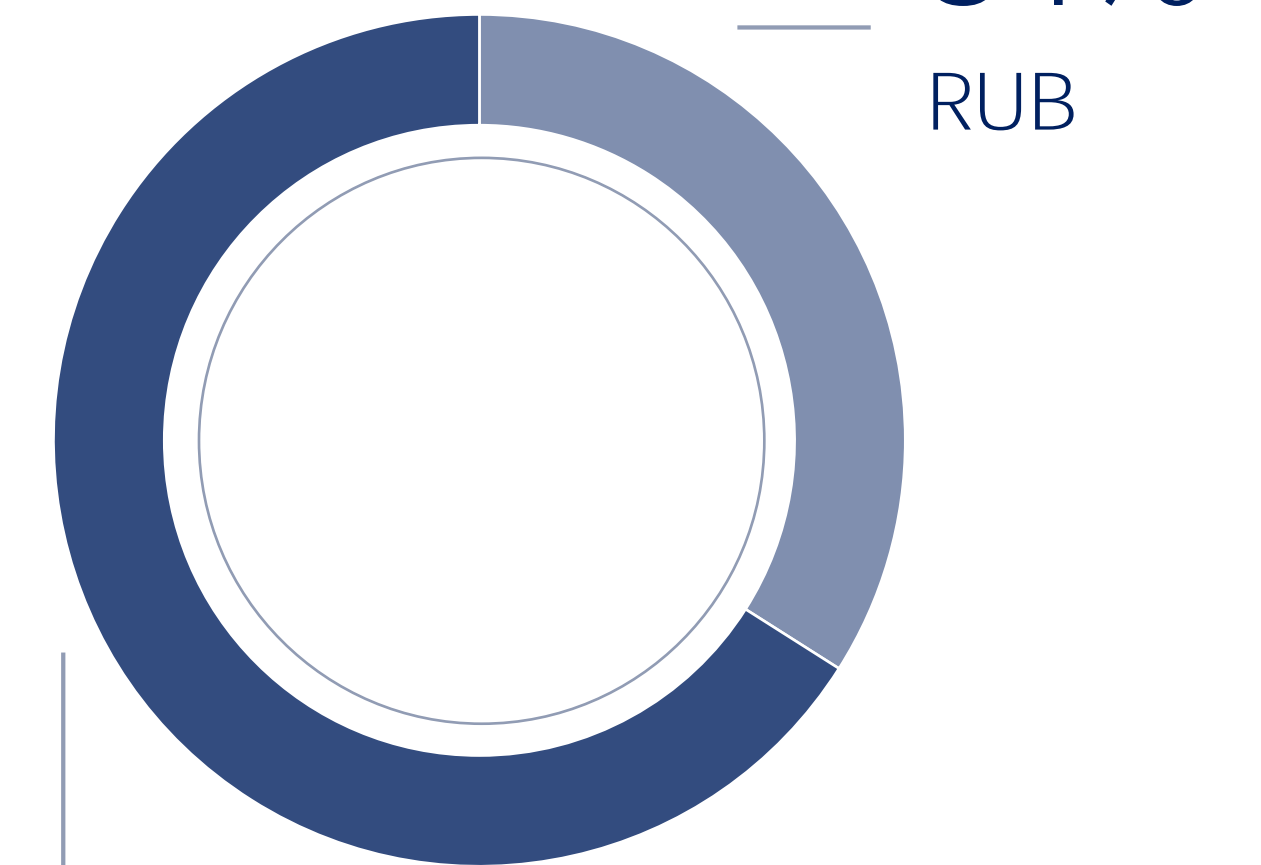
Diversified portfolio mainly consisted of Russian blue chips



BY TYPE



BY CURRENCY



Source: IFRS financial statements (as at 30 September 2019)

1. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation; corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment and bonds of Russian banks measured at amortized cost less allowance for impairment

2. Corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment and

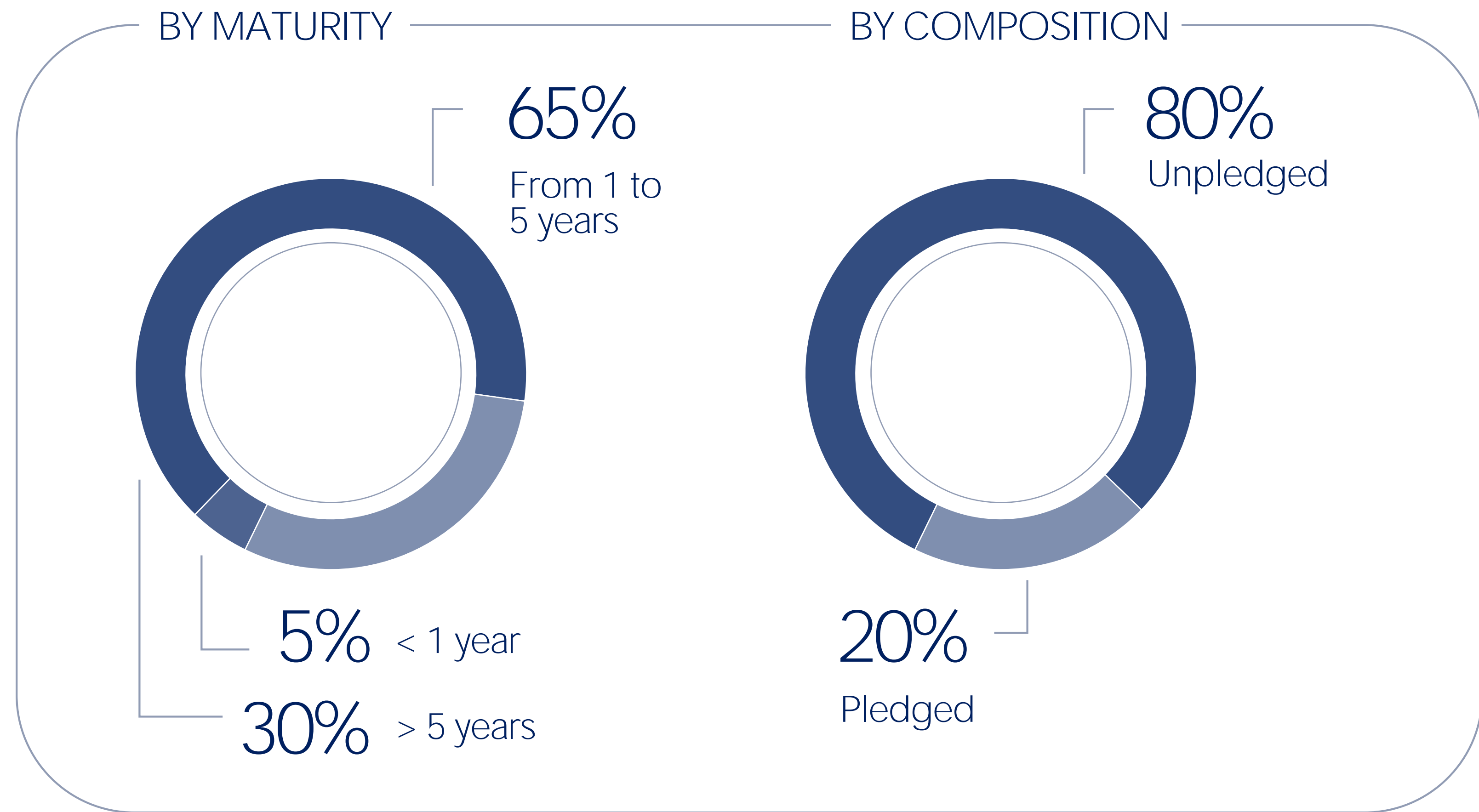
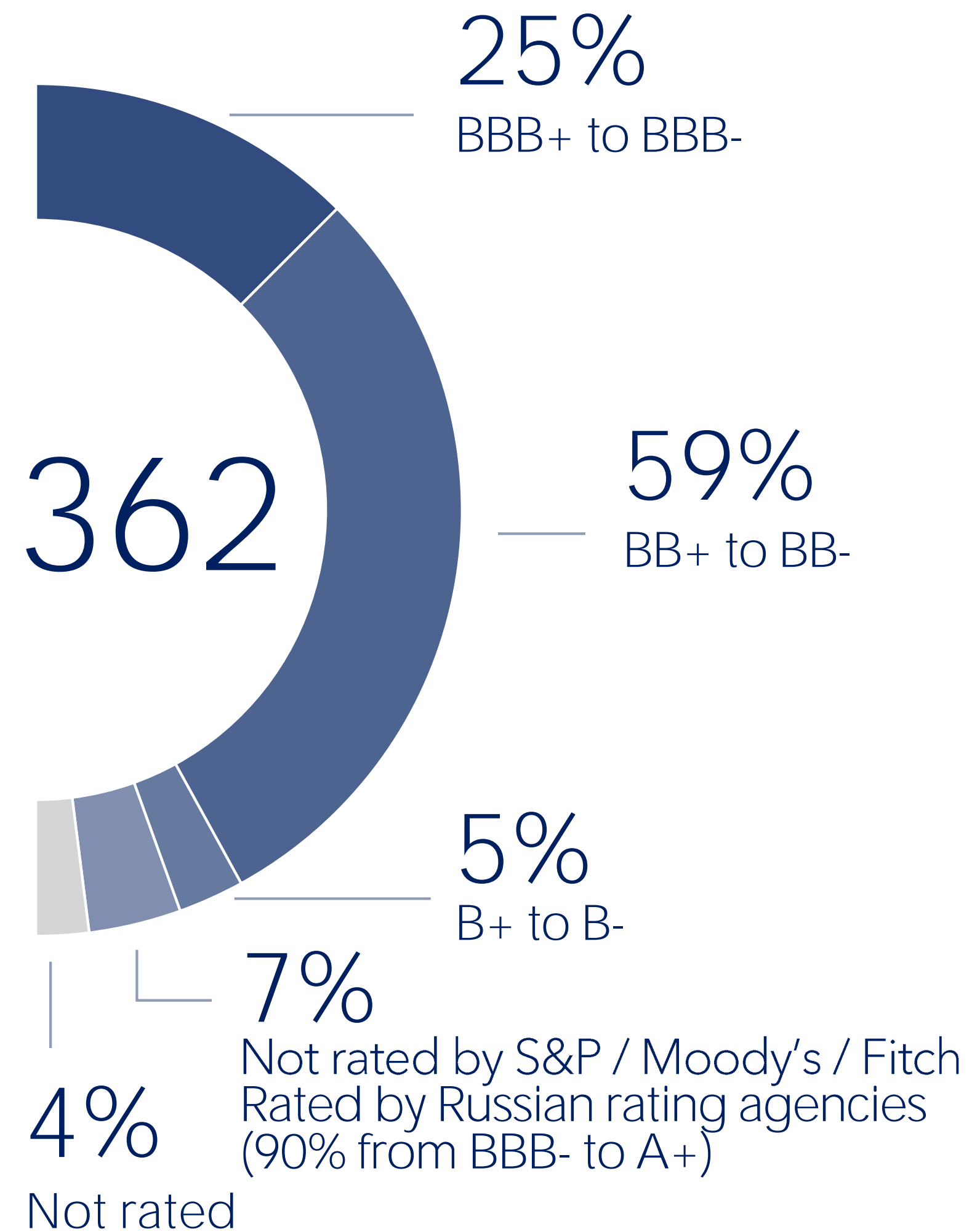
3. Bonds of Russian banks measured at amortized cost less allowance for impairment

4. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation

# BOND PORTFOLIO<sup>1</sup>

₽BN

Liquid & high quality portfolio



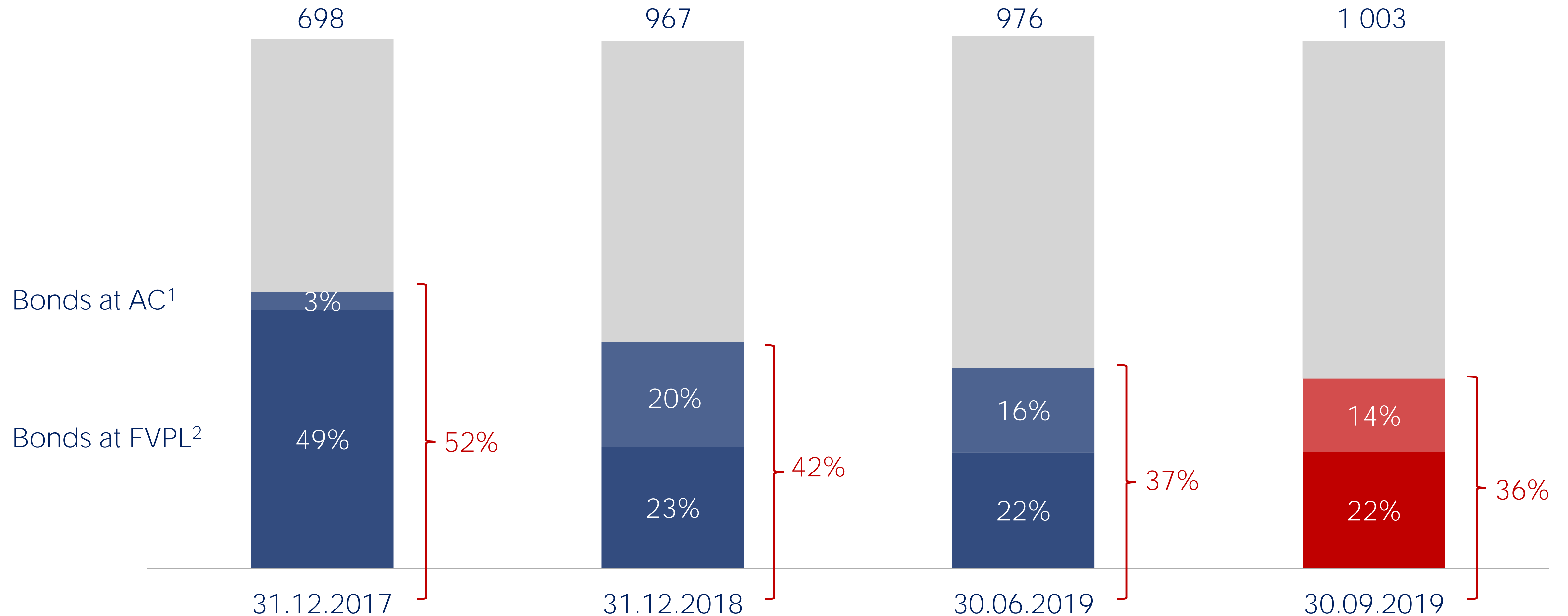
Source: IFRS financial statements (as at 30 September 2019)

1. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation; corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment and bonds of Russian banks measured at amortized cost less allowance for impairment

# SHARE OF BONDS DECLINED

₽BN

As the bank diversified to corporate and secured retail lending



Source: Company disclosure, IFRS financial statements (as at 30 September 2019)

Values are subject to rounding: rounded components may not add up to the rounded sum

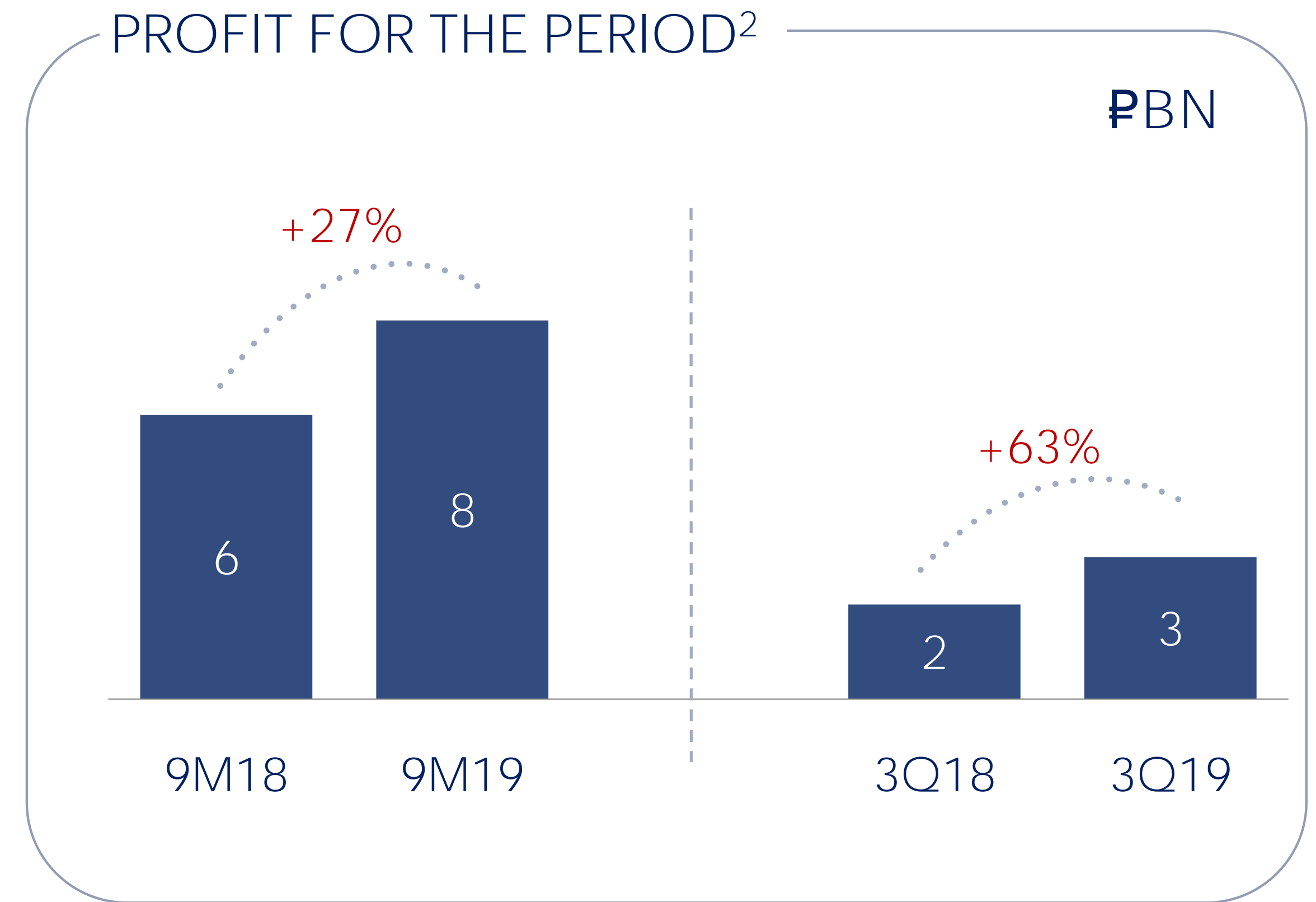
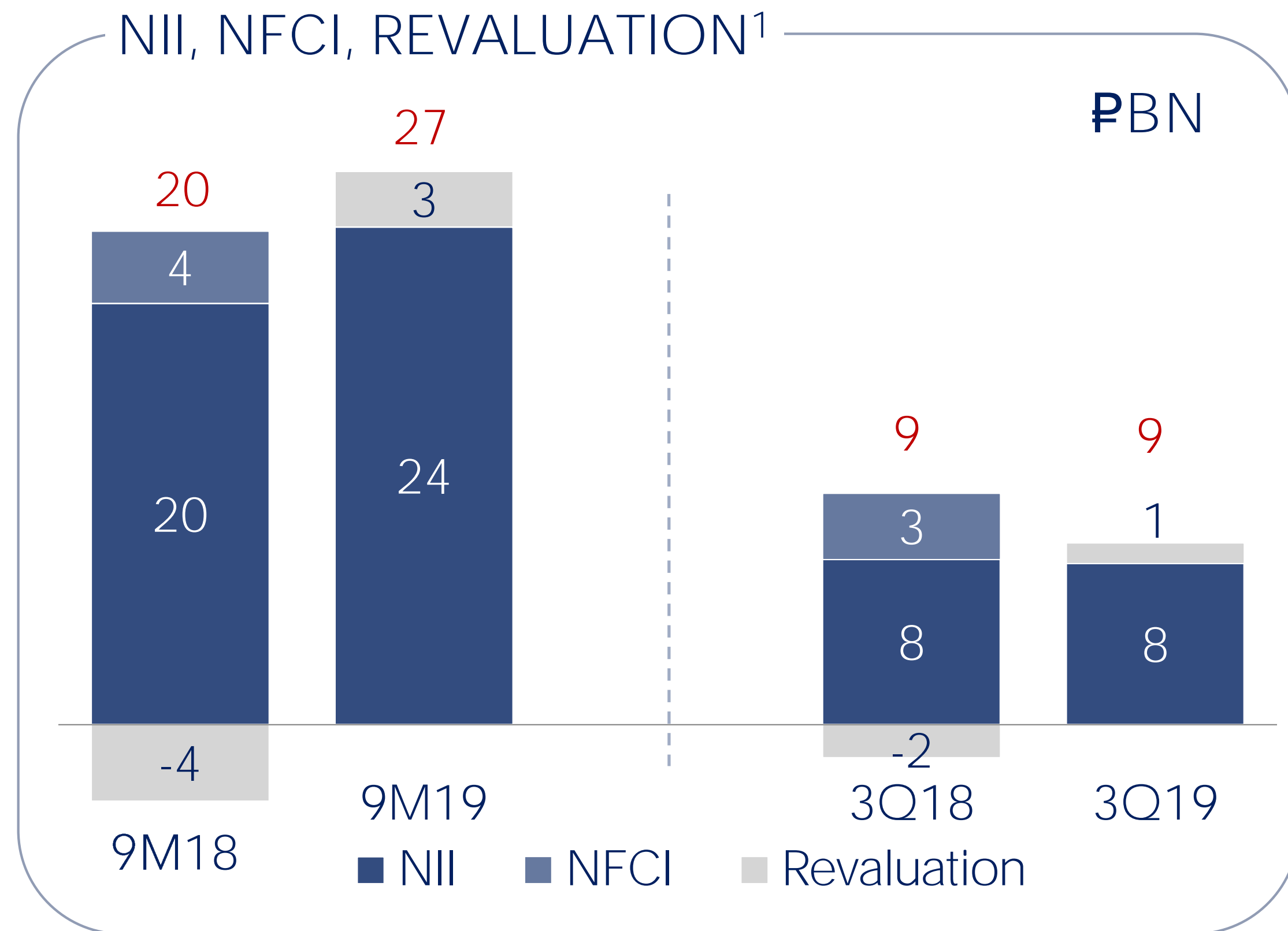
1. Corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment and bonds of Russian banks measured at

amortized cost less allowance for impairment

2. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation

# TREASURY PROFIT

Profit generation mainly net interest income



**13%** Share of one-offs in Treasury profit for 9M19

**27%** Treasury profit growth 9M18 vs 9M19

Source: IFRS financial statements (9M2018 - 9M2019)

Values are subject to rounding: rounded components may not add up to the rounded sum

1. Revaluation includes Net gain (loss) on financial instruments at FVPL, Net gain on derecognition of financial assets at amortized cost, Net gain (loss) on foreign exchange and transactions with precious metals

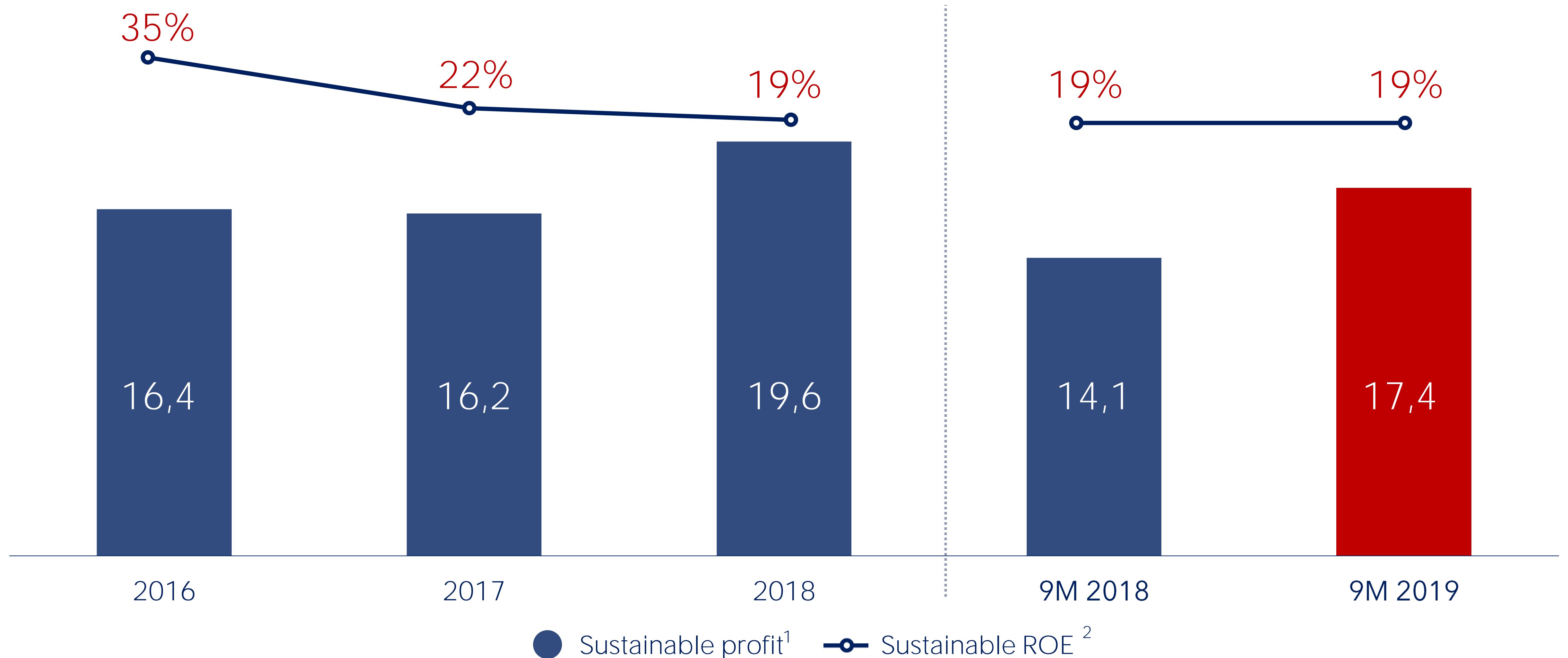
2. Treasury segment profit for the period before income tax expense \* 0,8

# CAPITAL & FUNDING



# INTERNAL CAPITAL GENERATION

₪BN



Source: IFRS financial statements (2016 - 9M2019)

1. Profit for the period adjusted for one-offs (as per definition in Glossary)

2. ROE adjusted for one-offs (as per definition in Glossary)

# EXTERNAL CAPITAL RAISE

The bank raised ₪ 16 BN in equity from investors in 2018 – 2019



QATAR INVESTMENT AUTHORITY



4.2  
₪ BN

2.5  
₪ BN

2.2  
₪ BN

1.6  
₪ BN

1.2  
₪ BN

0.6  
₪ BN

3.3  
₪ BN

PIF  
(Saudi Arabia)

RCIF  
(Russia - China)

RDIF  
(Russia)

RJIF  
(Russia - Japan)

QIA  
(Qatar)

SBI Holdings Inc.  
(Japan)

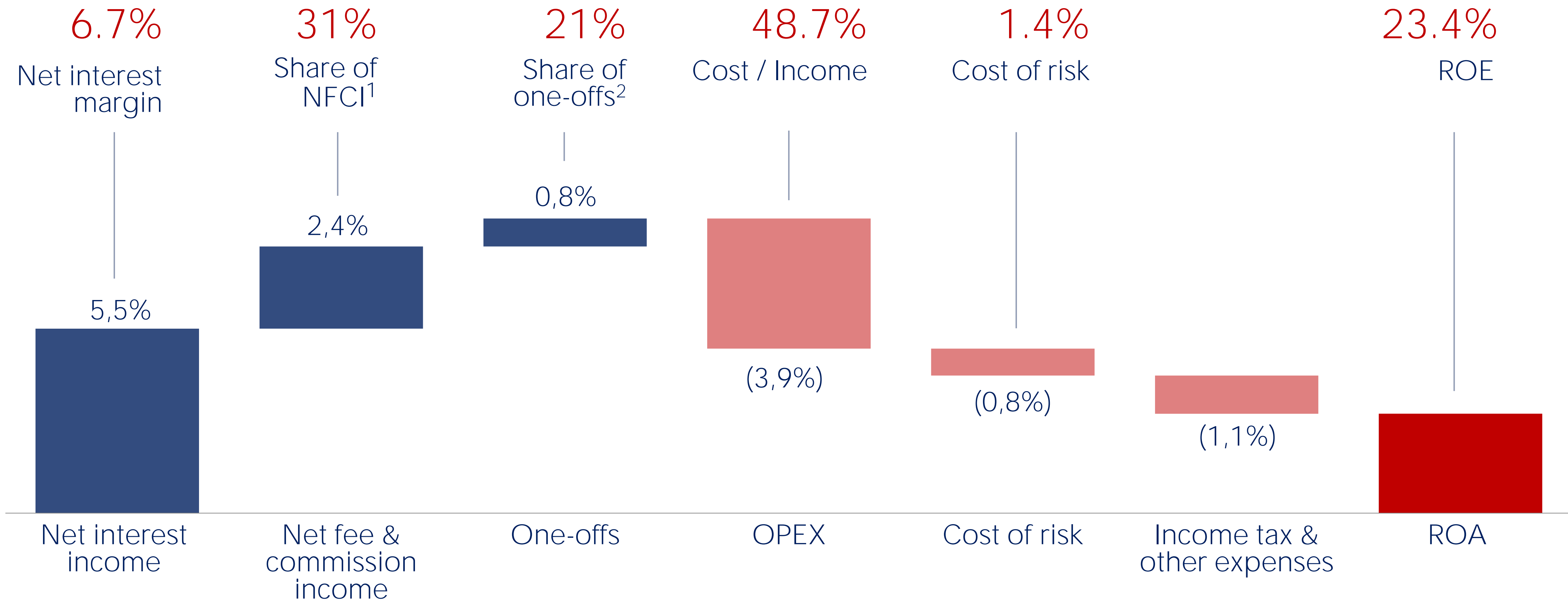
Other Middle-East  
sovereign wealth  
funds  
REB co-founders  
(Brodskiy I., Suzdaltsev A.)

- August 2018: ₪9.5BN
- April 2019: ₪6.1BN

₪15.6BN

# BUSINESS MODEL

as a % of average assets



Source: IFRS financial statements (as at 30 September 2019)

1. NFCI / (NII + NFCI)

2. One-offs after tax / Profit for 9M2019

# CREDIT RATINGS

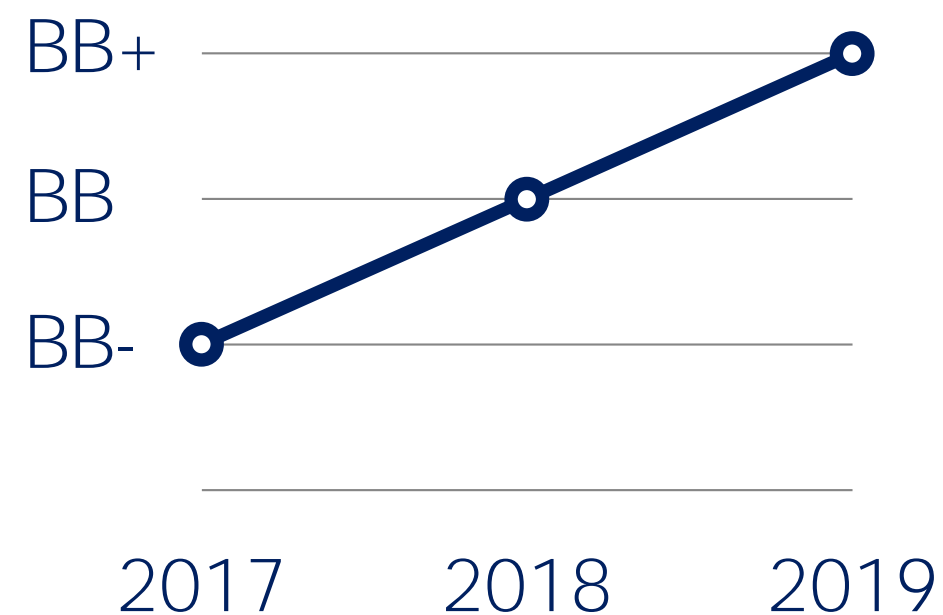
5 credit rating agencies look at the bank from different angles

**FitchRatings**

**BB+**

stable

20.09.2019

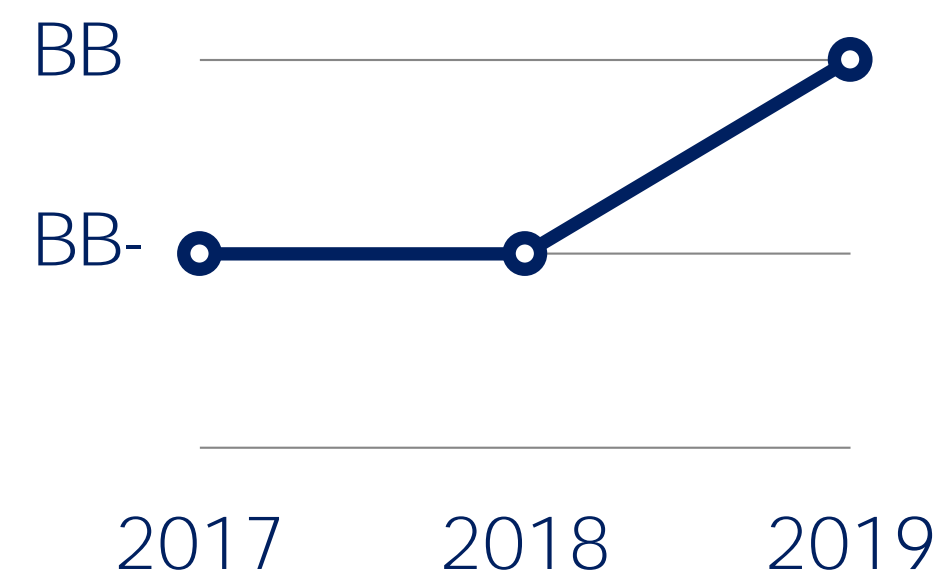


**S&P Global**

**BB**

stable

20.09.2019

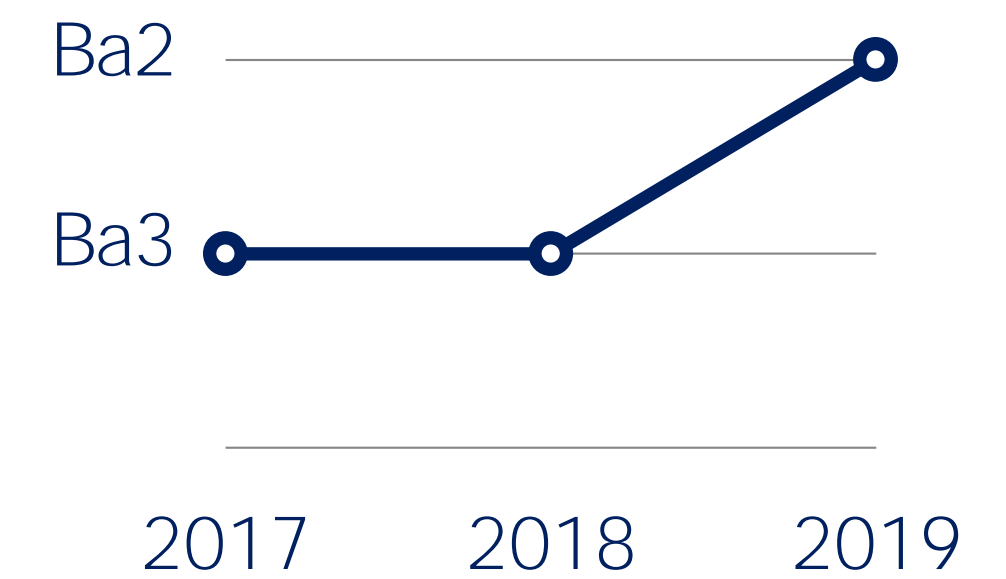


**Moody's**

**Ba2**

stable

30.09.2019



**AKPA**

**A+**

stable

09.08.2019

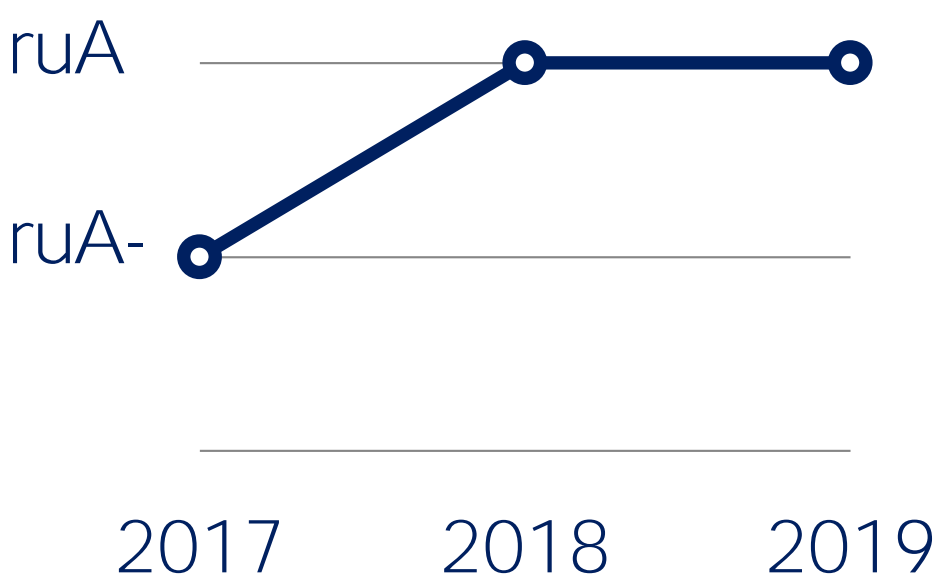


**Expert** РЕЙТИНГОВОЕ АГЕНТСТВО

**A**

positive

21.10.2019





# RATING AGENCIES OPINION

## FitchRatings

*Ratings reflect the bank's extended track record of exceptional performance, robust asset quality, strong profitability, solid liquidity and capital buffers, and Fitch's view that the operating environment in Russia has improved, which should benefit the bank's credit profile*

20 September 2019

## S&P Global

*We now consider Sovcombank to be a systemically important institution in a Russian context. The stable outlook reflects our opinion that the Bank will maintain its current level of capitalization and not increase its risk appetite as it follows its organic and acquisitive expansion strategy*

20 September 2019

## MOODY'S

*Moody's rating agency points out Sovcombank's continued strong financial performance and strengthened risk profile in recent years, as the Bank improved its business diversification, reduced exposure to market risk and improved its funding profile*

30 September 2019

## AKPA

*The growth of Bank's business over the last few years has been oriented on asset universalization, which made it possible to achieve significant operating income diversification. The Bank's business is determined by its historically strong franchise in consumer lending and stronger competitive positions in lending to the large businesses and the SME sector*

9 August 2019

## Expert

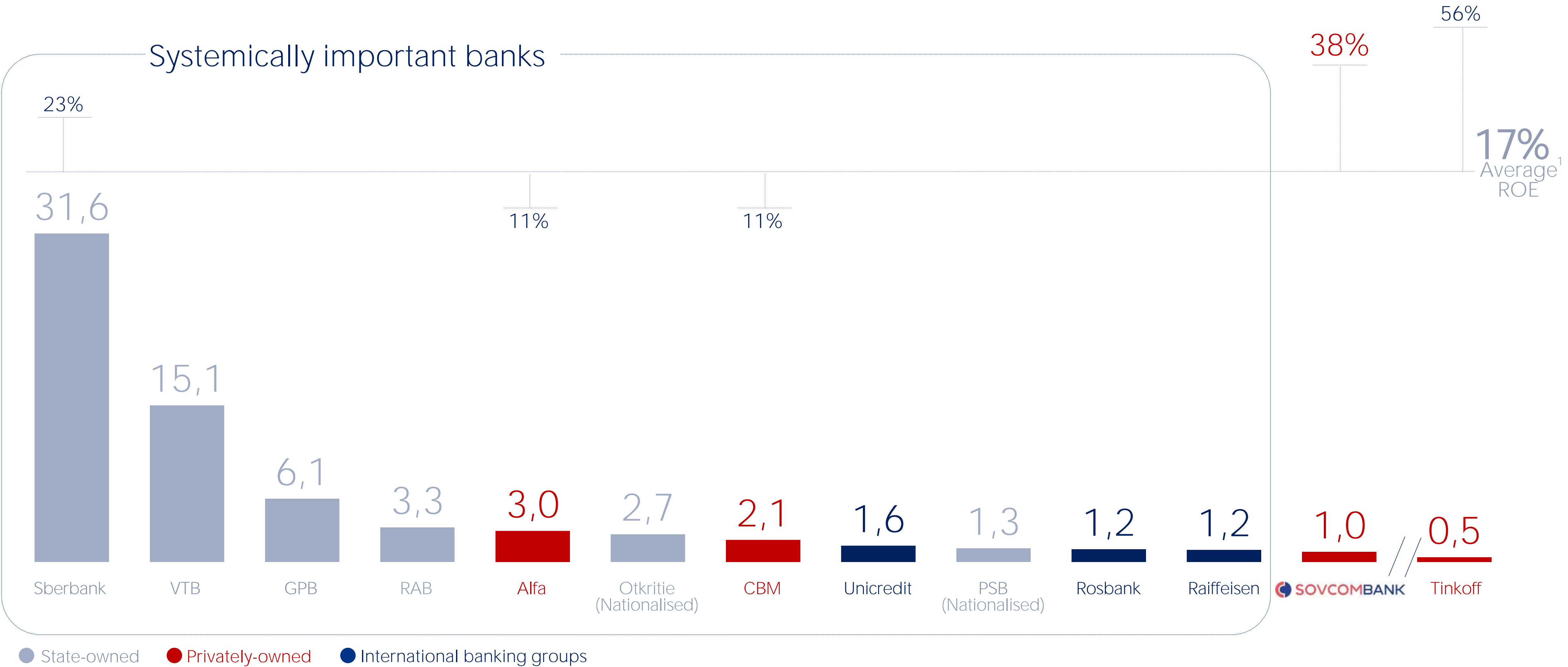
РЕЙТИНГОВОЕ  
АГЕНТСТВО

*The conservative policy with respect to issuing unsecured consumer loans, the consistently sound corporate loan quality, and successful implementation of the «Halva» Project allow Sovcombank to maintain its strong profitability*

21 October 2019

# THE LANDSCAPE

1% market share of the total banking assets in Russia



Source: IFRS financial statements (2016 - 1H2019)

46

1. Average ROE in 2016-1H2019 among represented banks excluding the nationalised banks (Otkritie and PSB), calculated as a sum of ROE for each of the years ended 31 December 2016, 2017 and 2018 and the ROE for the

six months ended 30 June 2019 (annualised) divided by four. Whereas ROE is defined as profit for the period divided by average balance of total equity (calculated as sum of the related opening and closing balances divided by two).



# CORE CREDIT RATINGS

## MOODY'S



## FITCH RATINGS



## S&P



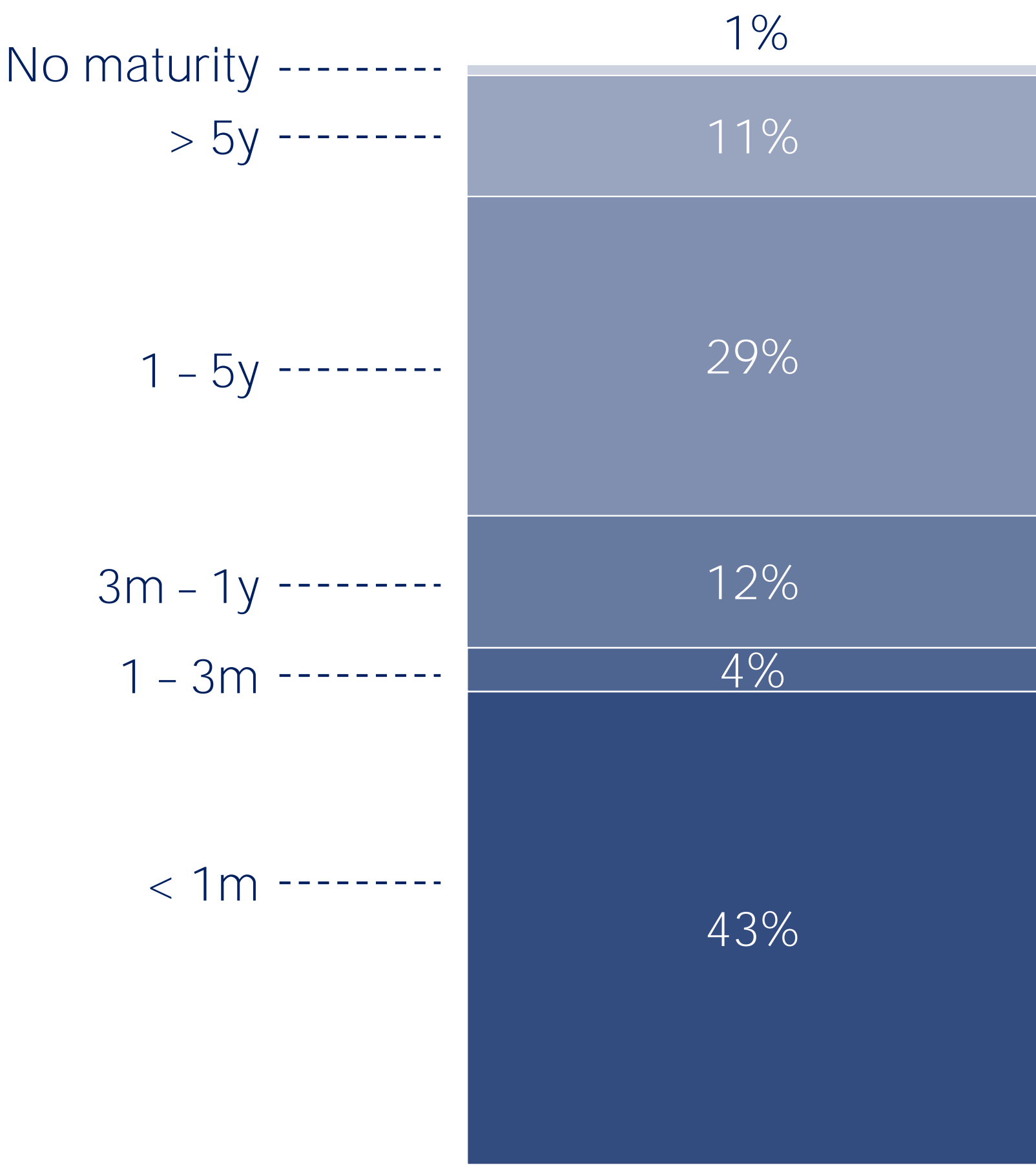
## CORE CREDIT RATINGS

**refer to issuer'** standalone intrinsic financial strength, absent any extraordinary support from the sovereign

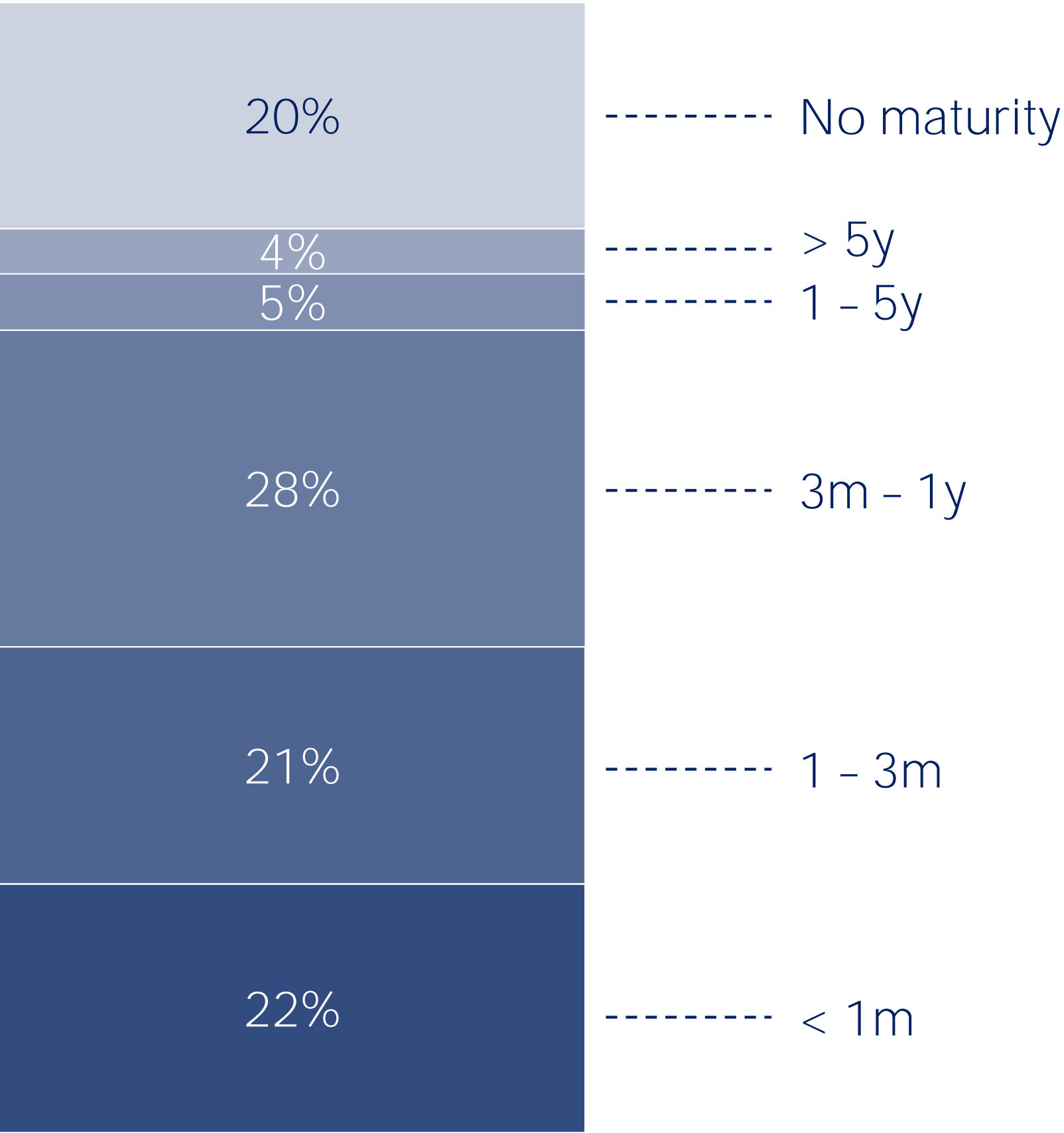
# MATURITY STRUCTURE

## BALANCE SHEET MATURITY PROFILE

30.09.2019



Assets



Liabilities

# FINANCIAL HIGHLIGHTS

	2016	2017	2018	9M2018	9M2019
ROE	72.4%	40.7%	17.3%	20.5%	23.4%
Sustainable ROE	35.4%	22.3%	19.3%	18.6%	18.6%
ROA	6.5%	4.8%	2.1%	2.6%	3.0%
Sustainable ROA	3.2%	2.6%	2.3%	2.3%	2.4%
Net interest margin	5.9%	5.8%	6.6%	6.6%	6.7%
Operating margin	7.8%	8.2%	8.0%	8.0%	8.0%
Cost to income	36.1%	47.6%	51.5%	51.5%	48.7%
Cost of risk	2.3%	1.7%	2.1%	2.2%	1.4%
Cost of funding	7.6%	6.5%	5.2%	5.4%	5.3%
Total CAR	16.0%	14.5%	13.8%	14.0%	15.5%
Tier 1 CAR	12.7%	14.5%	13.8%	12.2%	15.5%
N1.1 Ratio	9.2%	10.0%	9.4%	8.8%	9.1%
N1.0 Ratio	12.8%	12.9%	12.6%	13.3%	12.2%
N1.2 Ratio	9.9%	11.0%	10.3%	9.9%	9.9%

# INCOME STATEMENT

RUB'BN	2016	2017	2018	9M2018	9M2019
NII	27.7	33.0	47.5	34.0	40.6
Allowance for credit losses	(4.7)	(4.4)	(8.8)	(6.6)	(5.9)
NFCI	12.8	18.1	20.0	14.6	18.0
OPEX	(14.6)	(24.3)	(34.7)	(25.0)	(28.6)
<b>PBT</b>	<b>41.7</b>	<b>36.7</b>	<b>20.8</b>	<b>18.3</b>	<b>27.4</b>
Income tax expense	(8.0)	(7.1)	(3.3)	(2.8)	(5.5)
<b>Profit for the period</b>	<b>33.6</b>	<b>29.6</b>	<b>17.5</b>	<b>15.6</b>	<b>21.9</b>
One-offs before tax	21.5	16.7	(2.5)	1.8	5.7
Securities revaluation <sup>1</sup>	16.0	12.6	(7.9)	(3.8)	2.2
FX <sup>2</sup>	0.5	2.7	0.8	1.0	1.6
Other one-offs <sup>3</sup>	5.0	1.4	4.6	4.6	1.8
One-offs after tax	17.2	13.4	(2.0)	1.5	4.6
<b>Sustainable profit</b>	<b>16.4</b>	<b>16.2</b>	<b>19.6</b>	<b>14.1</b>	<b>17.4</b>

Source: IFRS financial statements (2016 – 9M2019)

1. Sum of Net gain/(loss) on financial instruments at FVPL, Net gain/(loss) on available-for-sale assets, Net gain/(loss) on derecognition of financial assets at amortized cost and Net gain/(loss) on derecognition of financial instruments at fair value through other comprehensive income

2. Net foreign exchange gain and net gain on currency derivatives

3. Sum of Bargain purchase gain, Gain from settlement of pre-existing relationship, Gain on loan repayment obligations to DIA, Gain from asset restructuring, Revaluation of investments in associates, Revaluation of buildings and investment property and Other operating income

# BALANCE SHEET

RUB'BN	31.12.2016	31.12.2017	31.12.2018	30.09.2019
Cash & cash equivalents	21	40	110	156
Retail loan portfolio <sup>1</sup>	80	137	190	242
Corporate loan portfolio <sup>2</sup>	158	130	351	310
Financial instruments at FVPL	285	349	225	226
Financial instruments at FVOCI	7	4	1	1
Other assets <sup>3</sup>	13	30	90	68
<b>Total assets</b>	<b>565</b>	<b>689</b>	<b>967</b>	<b>1 003</b>
<i>Off-balance sheet guarantees</i>	<i>72</i>	<i>113</i>	<i>148</i>	<i>126</i>
Interbank & REPO <sup>4</sup>	145	194	190	80
Current accounts and demand deposits <sup>5</sup>	30	49	128	142
Term deposits <sup>6</sup>	247	310	471	576
Other liabilities <sup>7</sup>	80	51	64	72
<b>Total liabilities</b>	<b>501</b>	<b>604</b>	<b>853</b>	<b>870</b>
<b>Total Equity</b>	<b>64</b>	<b>85</b>	<b>114</b>	<b>133</b>

Source: IFRS financial statements (2016 – 9M2019)

1. Retail loans less allowance for loan impairment

2. Corporate loans and bonds measured at amortized cost less allowance for loan impairment

3. Placements with banks and the banks' bonds measured at amortized cost, investments in associates, investments in joint ventures, investment property, property and equipment and intangible assets, goodwill, current income tax asset, deferred tax asset, other assets

4. Due to banks

5. Current accounts and demand deposits of individuals and legal entities

6. Term deposits of individuals and legal entities

7. Debt securities issued, subordinated debt, other borrowed funds, deferred tax liability, current income tax payable, other liabilities



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

# ESG



## Responsible lending

Responsible marketing & sale, attention to PTI, supporting clients in difficult life situations



## Support for SMEs

Digital platform provides access to public procurement for 514k SME



## Transparency & corporate governance

Reporting & transparency standards exceeding those typical for large banks in Russia



## Green Financing

Environmentally friendly projects, green bonds



**United Nations**  
Global Compact



# 92%

senior citizens &  
low- and medium-  
income clients



# 76%

female employees



offices in  
remote regions

# RESPONSIBLE LENDING

Management committed to the principles of responsible lending

## We make inquiries about **our client's financial situation**

Sovcombank is committed to asking questions about our clients' financial situation including their current income and employment status to help us understand their current financial circumstances and needs

## We take steps to verify our **client's financial situation**

We do this by using documentation and third party sources to check the information discussed with or disclosed by the client

## We make inquiries about **our client's requirements**

The purpose of these inquiries is to ascertain the product types and features that are suited to each client

## We market our products and services responsibly

We market our products responsibly and to stay in touch with the expectations of clients and the community. We are therefore committed to:

- responsible marketing;
- adherence to all legal and regulatory marketing requirements

## We seek to only offer products that are suited to the client

We do this by considering clients' requirements and objectives as well as their financial circumstances

## We exceed regulatory requirements in retail

Sovcombank serves the most vulnerable segments of retail clients in Russia: people of older generation and clients with low income. We strive not only to strictly apply regulatory standards but exceed them

## We support clients facing financial difficulty

Financial difficulty can arise from different life events such as change in income, illness, a relationship breakdown, reduction in business cash flow or emergency events like natural disasters. We encourage clients facing financial hardship to talk to us and treat every case individually. Our main aim is getting our clients back to financial wellbeing and the solutions available will depend on the circumstances and financial situation. These may include:

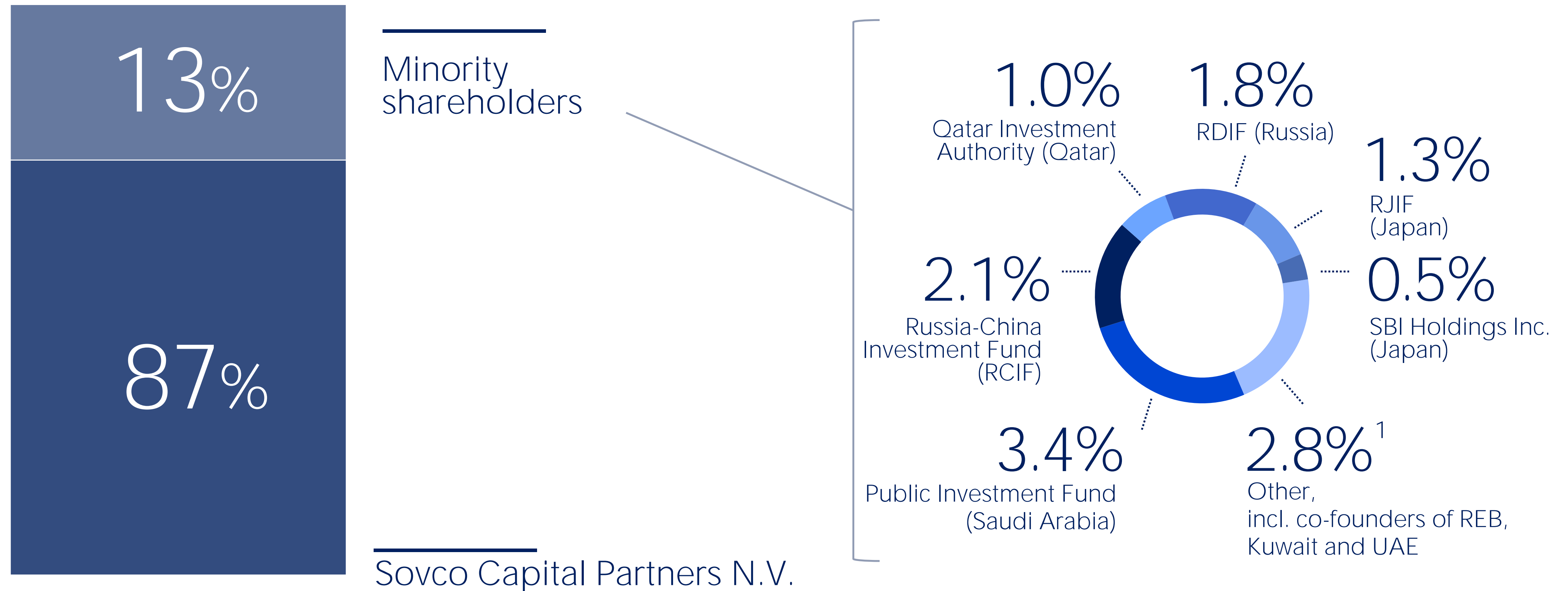
- providing flexible payment arrangements;
- variations to the loan repayments;
- restructuring and consolidating loans;
- suspending loan repayments in exceptional circumstances (emergency events like natural disasters)

## We improve the financial literacy and capability of our clients

We are committed to providing public access to educational materials about money management, budgeting, saving and spending. We also plan to deliver a range of financial education programs to assist both personal and business customers

# CORPORATE GOVERNANCE

# SHAREHOLDERS





# SOVCO CAPITAL PARTNERS N.V.

Netherlands

49%<sup>1</sup> MANAGEMENT

51%<sup>1</sup> FINANCIAL INVESTORS



**Dmitry Gusev**

CEO, Member of Supervisory Board



**Kirill Sokolov**

Deputy CEO, Finance



**Mikhail Kuchment**

Chairman of Supervisory Board  
Member of Supervisory Board of X5 Retail Group, co-founder of Hoff



**Sergey Khotimskiy**

Founder, 1st Deputy CEO,  
Member of Supervisory Board



**Mikhail Avtukhov**

Deputy CEO, CIB



**Aleksey Fisun**

Member of Supervisory Board, Real estate



**Dmitry Khotimskiy**

Chief investment officer,  
Member of Supervisory Board



**Aleksey Panferov**

Deputy CEO, GR



**Mikhail Klyukin**

Member of Supervisory Board, Real estate



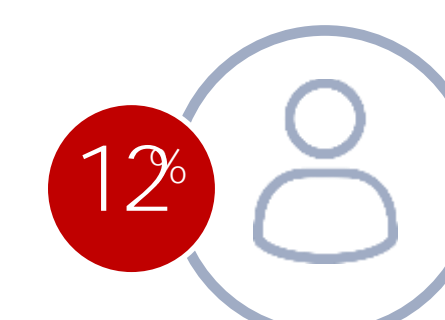
**Sergey Bondarovich**

Deputy CEO, SME



**Andrei Osnos**

Managing director,  
M&A, IR



**Other investors**

10 investors-  
individuals



# SUPERVISORY BOARD

Bank management has a minority, 4 out of 9 seats



Sovco Capital Partners N.V. (Netherlands)



Mikhail Kuchment<sup>2</sup>  
Chairman of Supervisory Board



Dmitry Gusev<sup>1</sup>  
CEO, Member of Supervisory Board



Anatoly Braverman<sup>3</sup>  
1<sup>st</sup> Deputy CEO of RDIF,  
Member of Supervisory Board



Nikolai Varma<sup>3</sup>  
Independent Director



Sergey Khotimskiy<sup>1</sup>  
1<sup>st</sup> Deputy CEO,  
Member of Supervisory Board



Aleksey Fisun<sup>2</sup>  
Member of Supervisory Board



Ya Li<sup>4</sup>  
RCIF investment Director,  
Observer to the Supervisory Board



Dmitry Khotimskiy<sup>1</sup>  
Chief investment officer,  
Member of Supervisory Board



Mikhail Klyukin<sup>2</sup>  
Member of Supervisory Board



Ilya Brodskiy<sup>1</sup>  
President of Sovcombank,  
Member of Supervisory Board

REB co-founders

1. Dmitry Khotimskiy, Sergey Khotimskiy, Dmitry Gusev, and Ilya Brodsky are the shareholders of the Bank, hold senior management positions and participate daily in the operational management of the Group

2. Mikhail Kuchment, Mikhail Klyukin, and Alexey Fisun are the shareholders of the Bank, but are not employees and do not participate directly in the operational management of the Group

3. Anatoly Braverman and Nikolai Varma are not employees and do not participate directly in the operational management of the Group

4. Ya Li is an investment Director of RCIF and an observer of the Supervisory Board of the Bank

# GLOSSARY

Metric	Abbreviation	Formula / Description
Cost of funding	Cost of funding	Interest expense / average IBL
Cost of risk	CoR	Provisions charged for loan impairment / average gross total loans to customers and bonds measured at amortized cost (opening, middle and closing)
Cost to income	CIR	OPEX / (NII + NFCI)
Interest bearing liabilities	IBL	Due to CBR + sale and repurchase agreements and deposits with banks + due to customers + debt securities issued + subordinated debt + other borrowed funds
Interest earning assets	IEA	Retail loans + corporate loans and bonds measured at AC + placements with banks and bonds measured at amortized cost + financial instruments at FVPL
Due to individuals	Retail	Retail term deposits + Retail current accounts and demand deposits
Due to legal entities	Corporate	Corporate term deposits + Current accounts and demand deposits + Amounts due under sale and repurchase agreements
Interbank & REPO	Interbank	Due to banks
Liquidity cushion	Liquidity cushion	(Cash and cash equivalents + unencumbered financial instruments at FVPL + investment securities at FVOCI) / (Due to customers + due to banks + due to the CBR)
Net interest margin	NIM	NII / average IEA (opening, middle and closing)
Non-performing loans	NPLs	Loans and bonds measured at AC with overdue payments of principal amount and/or interest by more than 90 days
Non-performing loans ratio	NPL ratio	Total NPLs / total loans to customers and bonds measured at AC
Non-performing loans coverage ratio	Coverage ratio	Allowance for loan impairment / total NPLs
Operating margin	Operating margin	(NII + NFCI) / average total assets (opening, middle and closing)
Operating expense	OPEX	Personnel expenses + Other general and administrative expenses
OPEX coverage	OPEX coverage	(Retail segment PBT - Retail segment OPEX) / Total OPEX
Average OPEX coverage	Average OPEX coverage	Sum of OPEX coverage for each of the years ended 31 December 2016, 2017 and 2018 and the ROE for the six months ended 30 June 2019 divided by four
Return on average assets	ROA	Profit for the period / average total assets (opening, middle and closing)
Sustainable ROA	Sustainable ROA	Sustainable profit / average balance of total assets attributable to the shareholders (opening, middle and closing)
Return on average equity	ROE	Profit for the period / average balance of total equity (opening, middle and closing)
Average ROE	Average ROE	Sum of ROE for each of the years ended 31 December 2016, 2017 and 2018 and the ROE for the six months ended 30 June 2019 (annualised) divided by four
Sustainable ROE	Sustainable ROE	Sustainable profit / average balance of total equity (opening, middle and closing)
Stage 3 & POCI ratio	Stage 3 & POCI	Total Stage 3 and POCI loans / total loans to customers at amortized cost and bonds measured at amortized cost
Stage 3 & POCI coverage ratio	Stage 3 & POCI coverage	Allowance for loan impairment / total Stage 3 and POCI loans
Sustainable ROA	Adj. ROA	Sustainable profit / average total assets (opening, middle and closing)
Sustainable profit	Sustainable profit	Profit for the period adjusted to exclude certain gains and losses
Tier 1 ratio	Tier 1 CAR	Tier 1 capital / risk weighted assets (Basel I / III)
Total capital adequacy ratio	CAR	Total capital / risk weighted assets (Basel I / III)

# ABBREVIATIONS

Abbreviation		Description
AC		Amortized cost
AI		Artificial intelligence
APR		Annual percentage rate
B2G		Business to government
CBR		Central Bank of Russia
DAU		Daily average users
F&CI		Fee & commission income
FTE		Full time employee
FVOCI		Fair value through other comprehensive income
FVPL		Fair value through profit or loss
IFRS		International financial reporting standards
LMI		Low and moderate income
MAU		Monthly average users
RAS		Russian accounting standards
SME		Small and medium enterprises
NFCI		Net fee and commission income
NII		Net interest income
NPL		Non-performing loans (loans with payments of principal and/ or interest overdue by more than 90 days)
PBT		Profit before tax
POCI		Purchased and originated credit-impaired
SIB		Systemically important bank
SME		Small and medium enterprises
AI		Artificial intelligence
APR		Annual percentage rate
B2G		Business to government
CBR		Central Bank of Russia
DAU		Daily average users

