

FINANCIAL RESULTS

2019



AT A GLANCE

Federal universal bank

CREDIT RATINGS¹

INTERNATIONAL

Moody's

Ba2

stable

S&P

BB

stable

Fitch

BB+

negative

RUSSIAN

ACRA

A+

stable

Expert RA

ruA

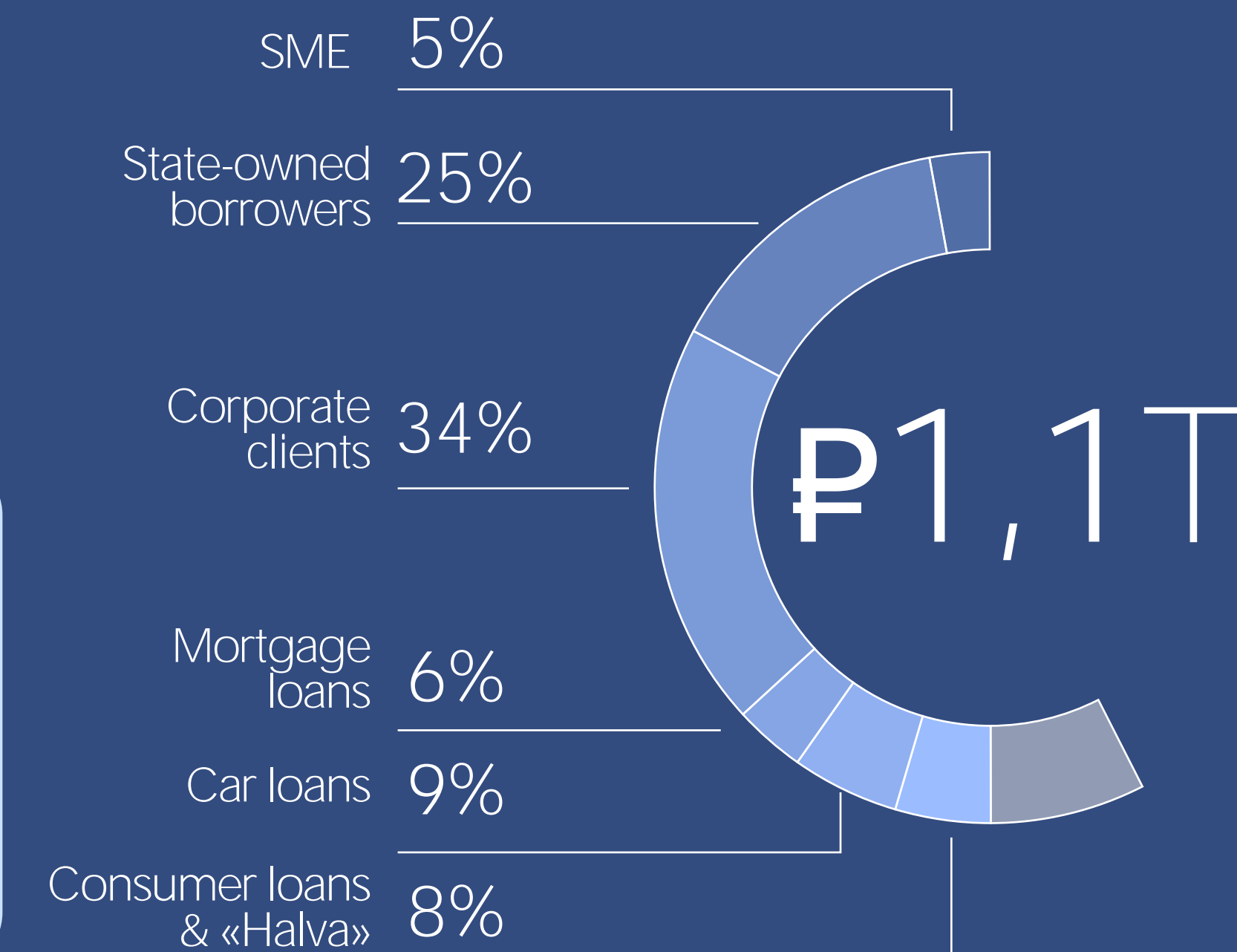
positive

NCR

AA-

stable

DIVERSIFIED ASSETS²



NATIONAL SCALE

2,500 Offices

1,043 Towns

CAPITAL GENERATION

24% Average sustainable ROE³ 2016 – 2019

₹139 BN Equity⁴

SHAREHOLDERS

10.5% Institutional investors

89.5% Management & Russian investors

Source: Company disclosure, IFRS financial statements (2016 – 2019)

1. Long-term credit ratings, as at 7 April 2020

2. Total assets as at 31 December 2019

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

4. As at 31 December 2019. Including minority interest

31.12.18 31.12.19

Assets, BN ₪ ——— 967 +17% 1 135

Equity¹, BN ₪ ——— 114 +22% 139

Clients, M ——— 4.6 +41% 6.5

«Halva» cards, M ——— 2.3 +91% 4.4

2018 2019

Profit, BN ₪ ——— 17.5 +72% 30.1

Sustainable profit², BN ₪ 20.6 +13% 23.3

HIGHLIGHTS

2019

Retail

- Loan portfolio: +₪70 BN (+37% vs. 2018) – 2/3 secured
- Halva became profitable in July 2019
- 49% share of NF&CI in segment revenue

Corporate banking

- Corporate loan portfolio: +₪21 BN (+11% vs. 2018)
- Inflow of term deposits: +₪85 BN (+78% vs. 2018)
- 59% share of NF&CI (+16 p.p. vs. 2018)

Treasury & Capital management

- Bond portfolio: +₪79 BN (+19% vs. 2018) - zero defaults
- 42% of liabilities are in liquid assets
- Raise of \$800 M in 2018 – 2019:
 - \$200 M – institutional investors
 - \$300 M – T2 Eurobond issue in Oct 2019
 - \$300 M – T1 Eurobond issue in Feb 2020
- Consolidation of 100% Sollers Finance – 4Q19
- Acquisition of Liberty Insurance – 1Q20
- Credit ratings upgraded by 4 agencies

Source: Company disclosure, IFRS financial statements (2018 – 2019)

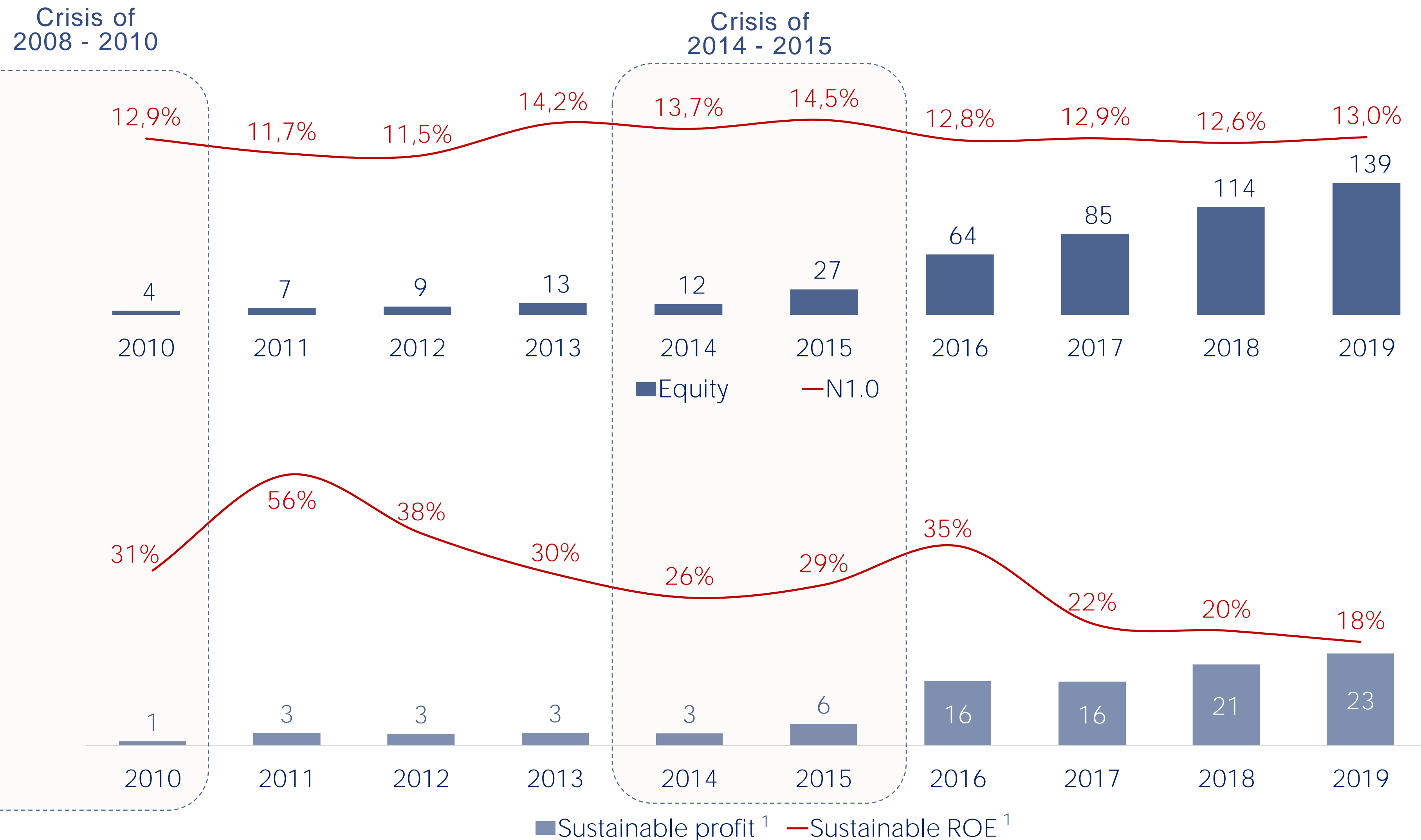
1. Including minority interest

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

LONG-TERM TRACK-RECORD

₪BN

Strong through-the-cycle profitability and growth



13% Average N1.0
2010-2019

31% Average
sustainable ROE
2010-2019

DIVERSIFIED BUSINESS

The bank is diversified and profitable across all segments

RETAIL

Mass-market products
LMI¹ clients
Phygital retail network

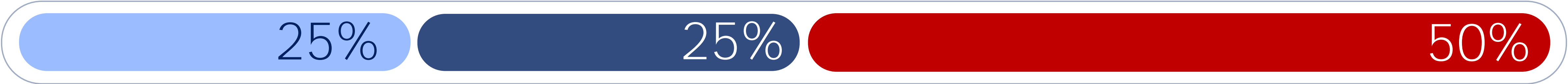
CORPORATE

Blue chips, public sector & SME
DCM
B2G

TREASURY

Fixed income portfolio
Capital & liquidity

ASSETS



LIABILITIES



SUSTAINABLE PBT²



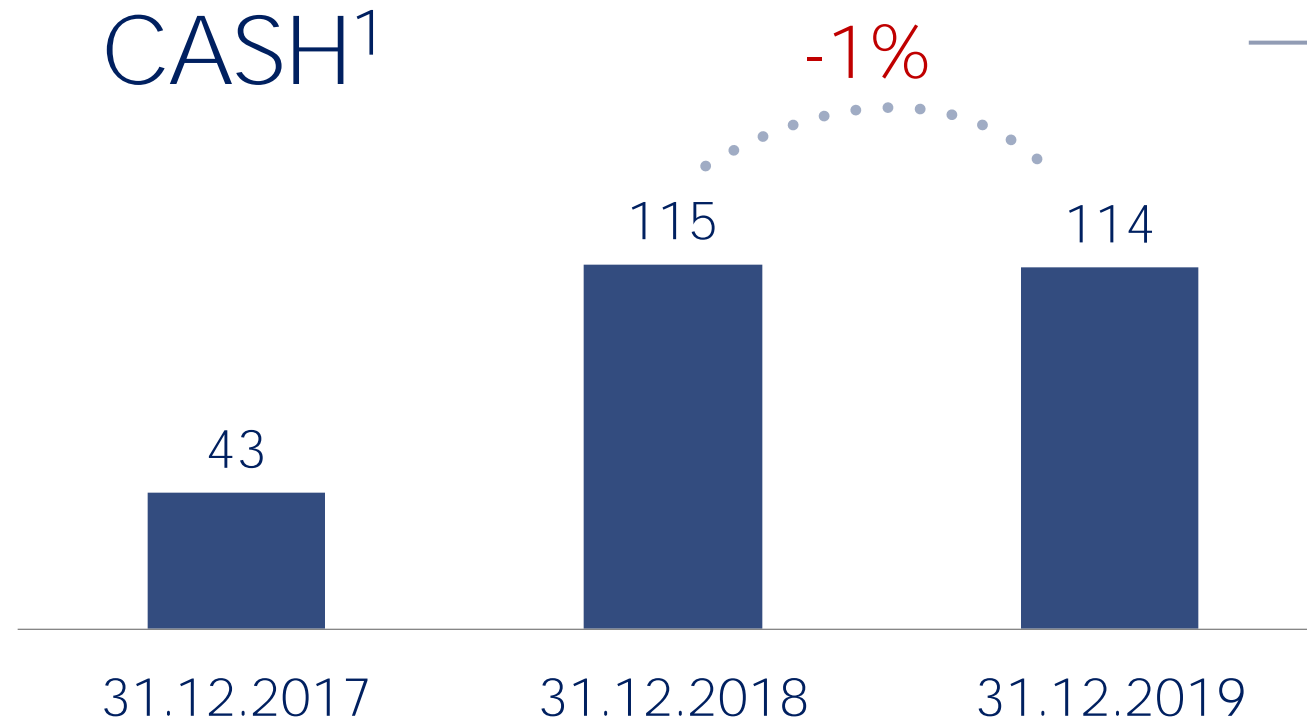
Source: IFRS financial statements (as at 31 December 2019)
1. LMI - Low and moderate income
2. Segment profit before tax adjusted for one-offs (as per definition in Glossary)

ASSETS

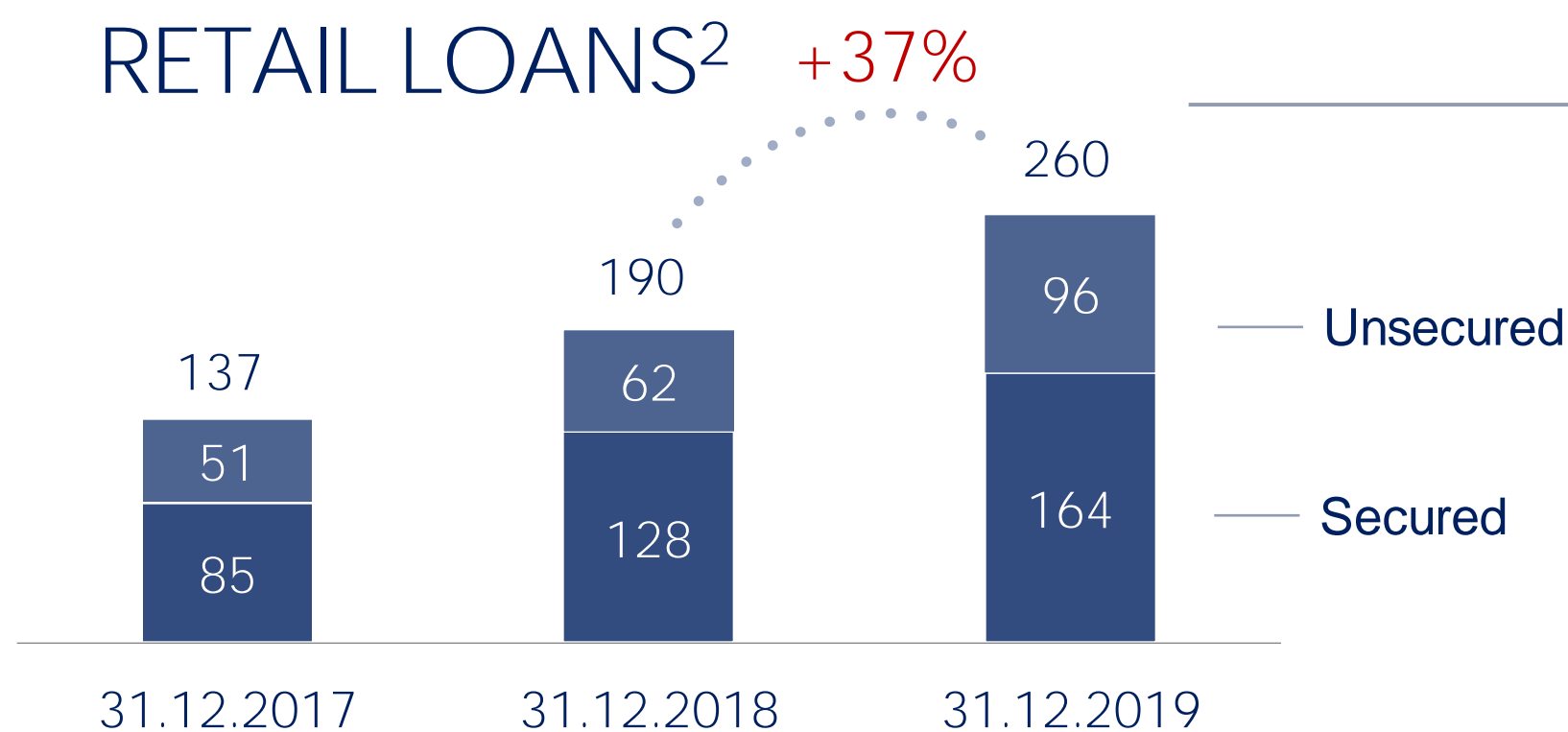
₽BN

Transparent, diversified and low risk

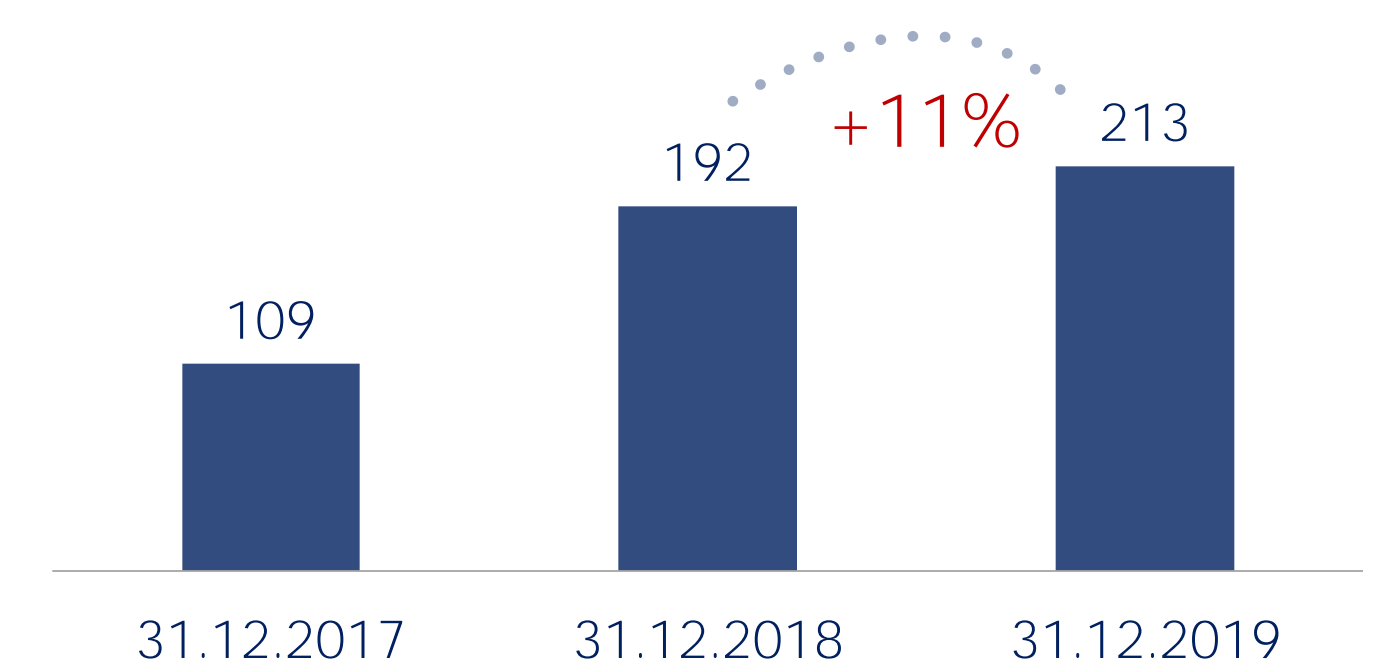
CASH¹



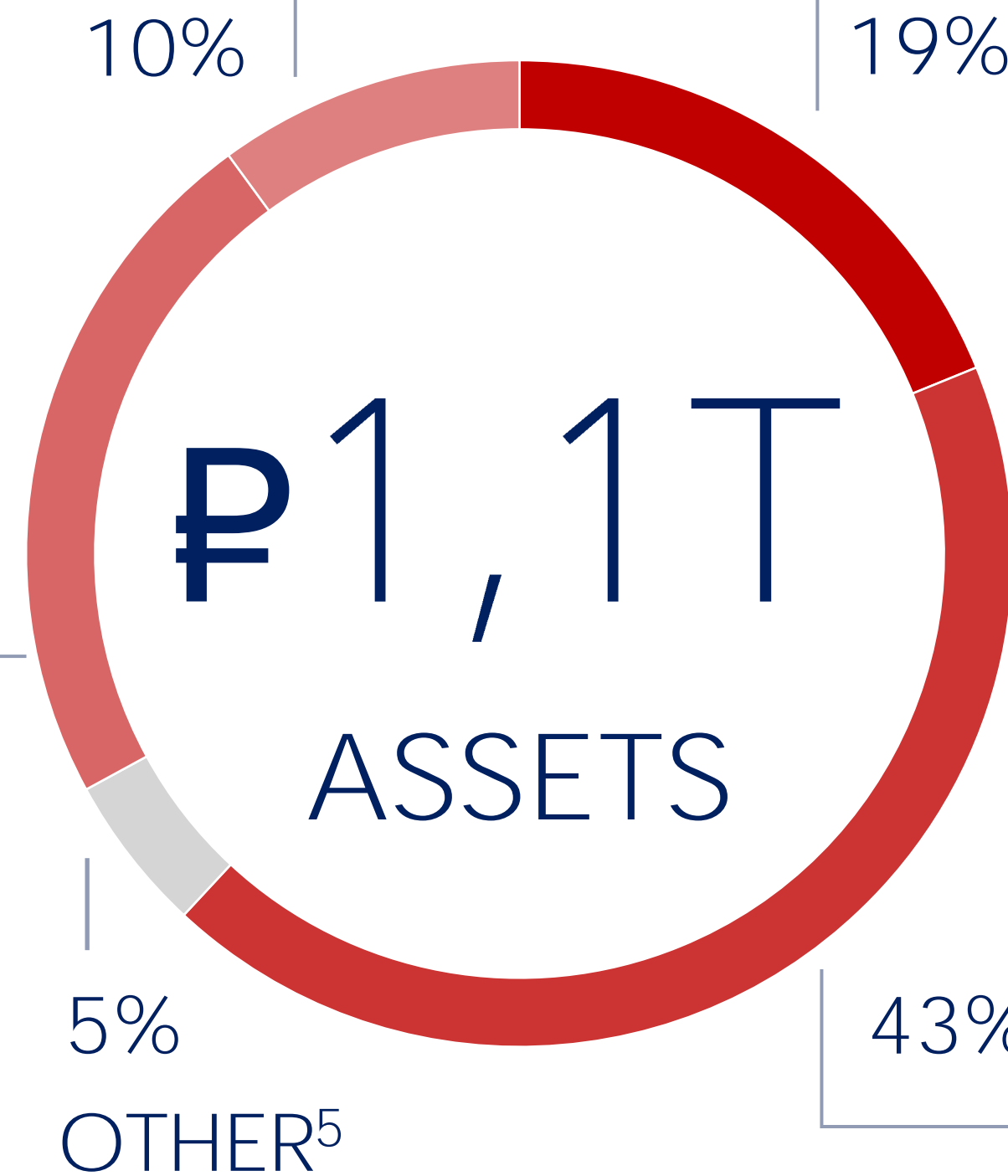
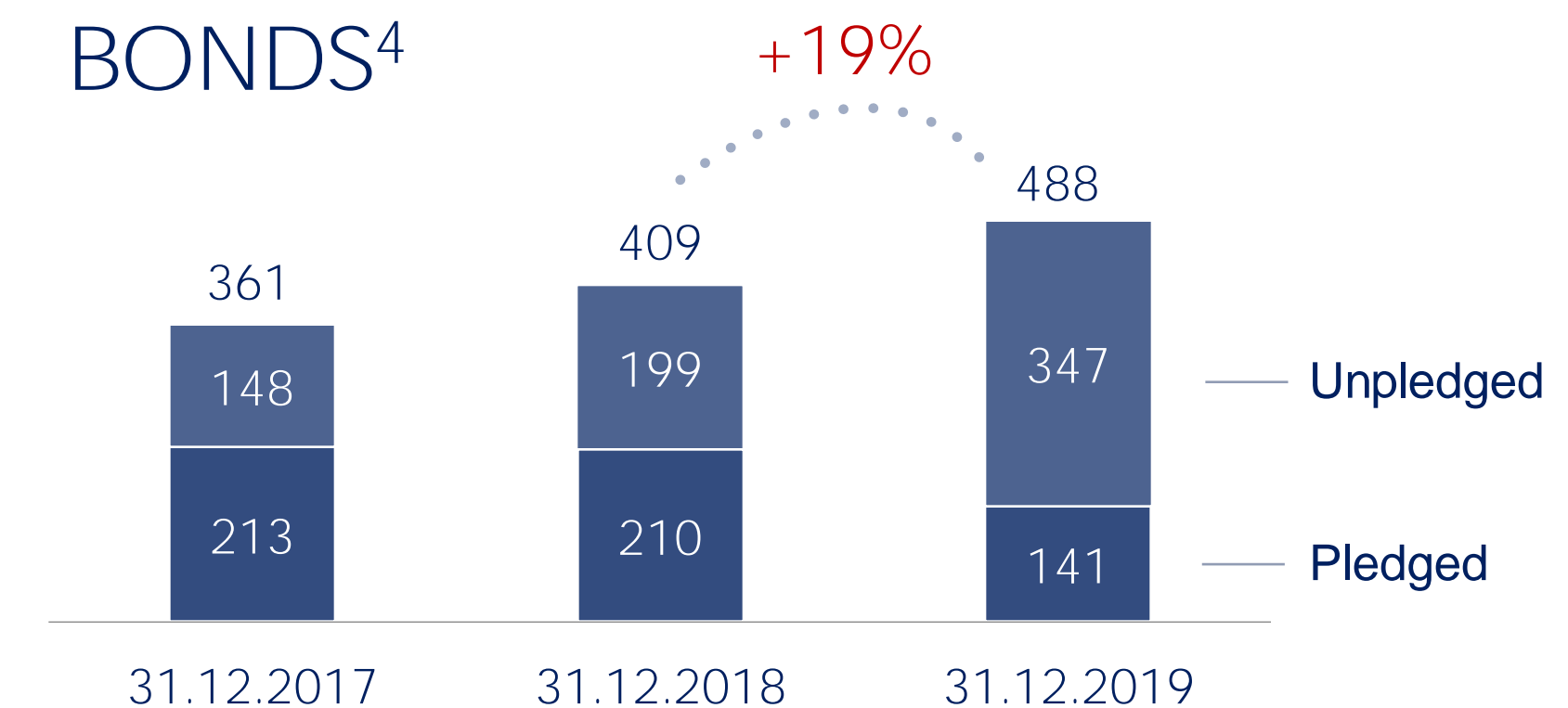
RETAIL LOANS²



CORPORATE LOANS³



BONDS⁴



Source: Company disclosure, IFRS financial statements (2017 – 2019)

1. Cash and cash equivalents, Mandatory cash balances with the CBR

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; Financial instruments at FVOCI; 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

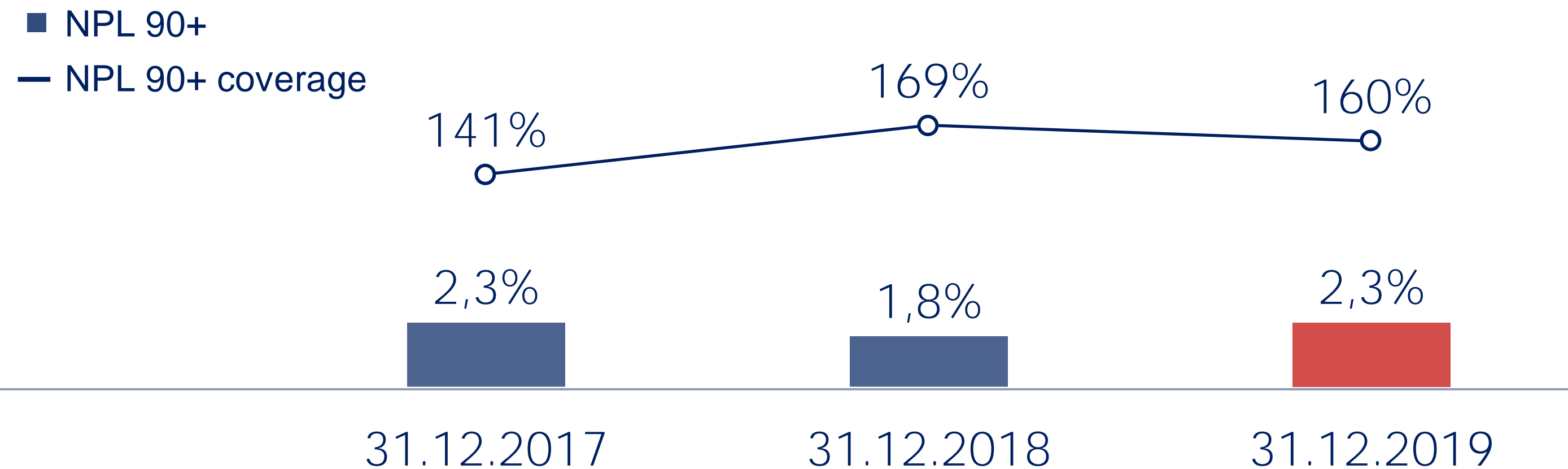
5. Placements with banks excluding bonds of Russian banks measured at amortized cost, Derivative financial instruments, Corporate shares and shares of companies with state participation at FVPL, Investment securities at FVOCI, Changes in FV of hedged assets in portfolio hedges of interest rate risk, Investment in associates, Investments in joint ventures, Investment property, Property and equipment and intangible assets, Right-of-use assets, Goodwill, Current income tax asset, Deferred tax asset, Other assets

ASSETS QUALITY

₪BN

NPL covered by loan loss provisions with significant margin

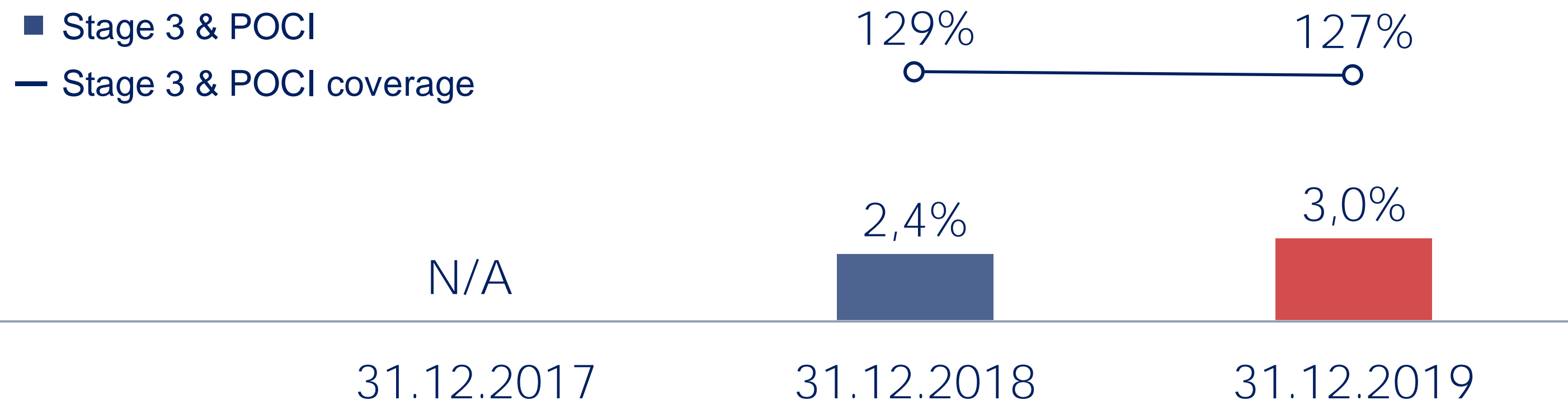
NPL 90+¹



4.1% Retail NPL

127% Retail NPL Coverage

STAGE 3 & POCI



0.9% Corporate NPL²

281% Corporate NPL Coverage²

Source: IFRS financial statements (2017 – 2019)

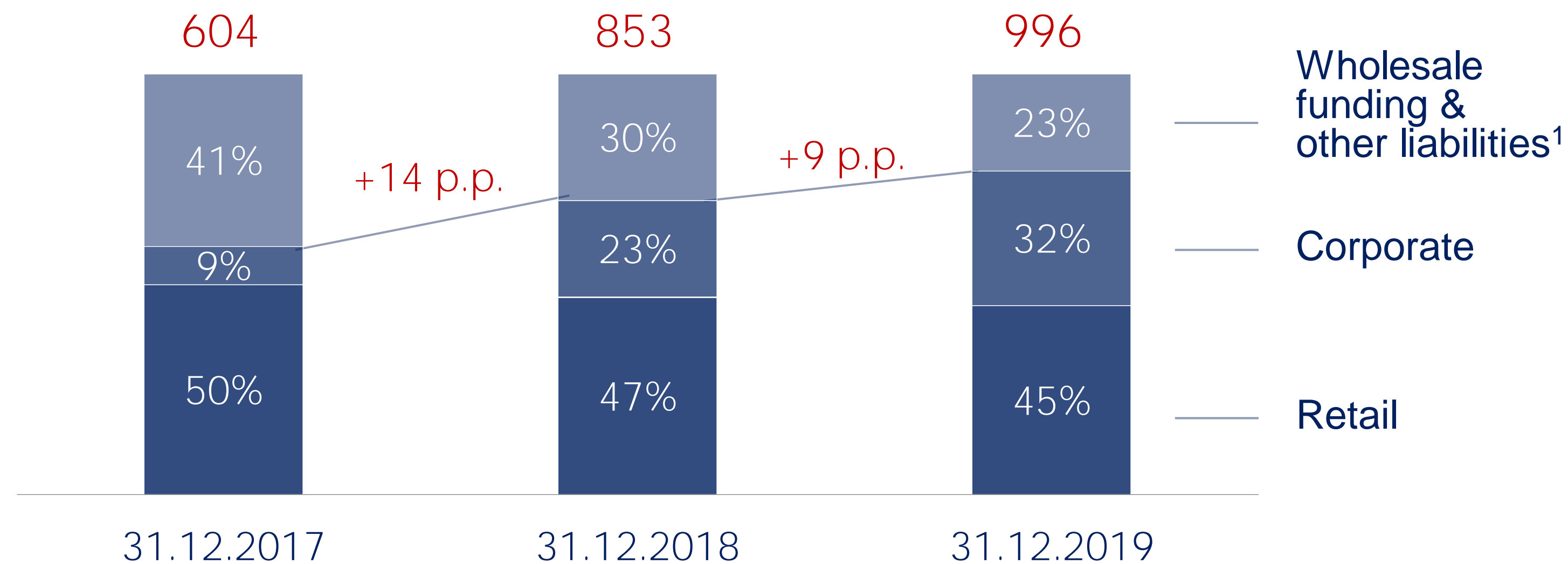
1. Loans to customers and bonds measured at amortized cost

2. Corporate loans and bonds measured at amortized cost. If bonds measured at amortized cost are excluded from calculation, as at 2019 NPL 90+ would be 1.4% and Coverage ratio would be 267%

LIABILITIES

₽BN

Granular retail & growing corporate term deposits



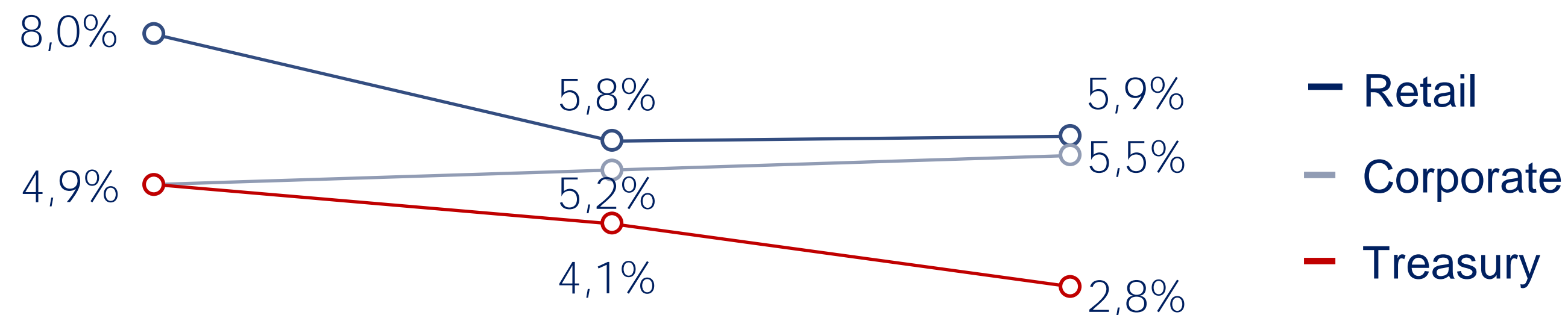
+78% Corporate term deposits growth vs. 2018

87% of retail term deposits insured by DIA

47% of retail term deposits rolled over by clients

5.1% Total Cost of Funding 2019

COST OF FUNDING²



Source: IFRS financial statements (2017 – 2019)

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

1. Due to the CBR, Due to banks, Debt securities issued, Other borrowed funds, Subordinated debt, and Other liabilities

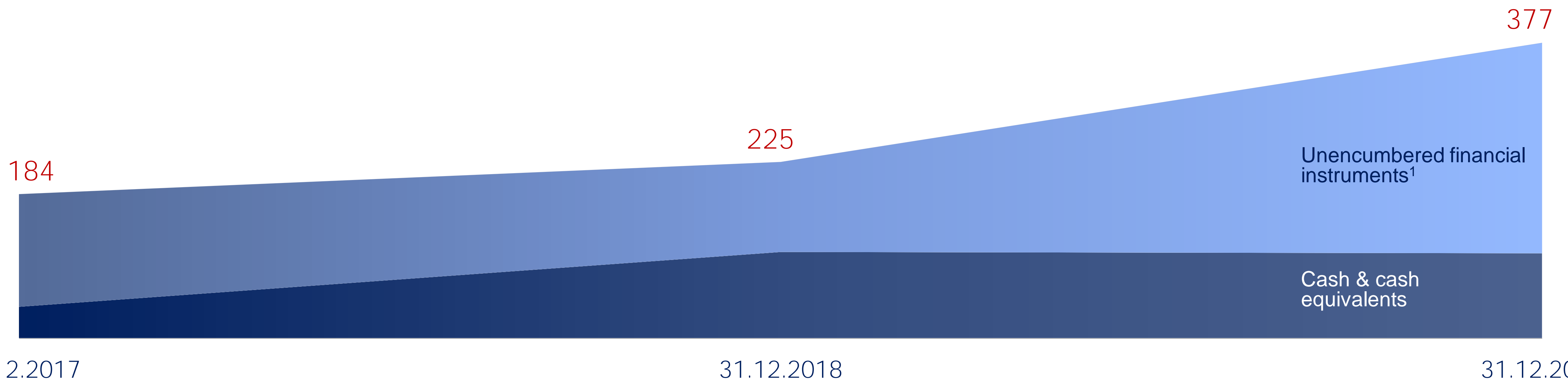
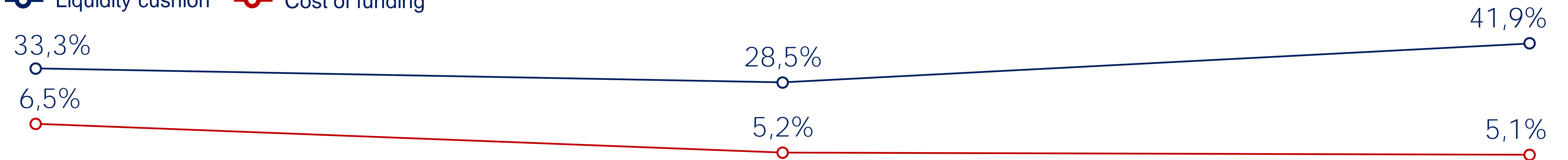
2. Segment Interest expense / Average segment Interest bearing liabilities (av. for 3 periods)

STRONG LIQUIDITY

₺BN

41.9% of total liabilities are in liquid assets

—○— Liquidity cushion —○— Cost of funding



Source: IFRS financial statements (2017 – 2019)

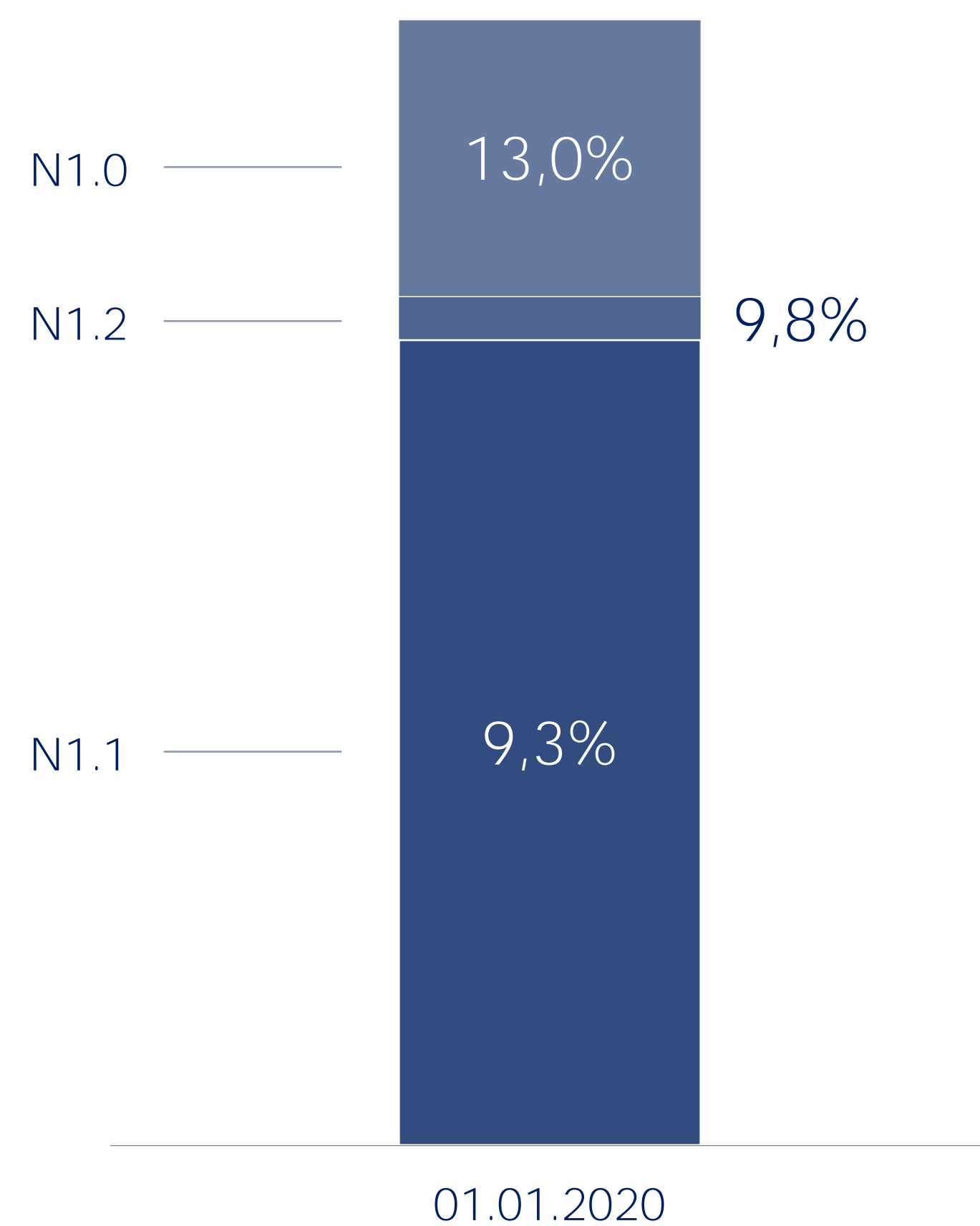
1. Financial instruments at FVPL held by the Group, Financial instruments at FVOCI held by the Group, Investment securities at FVOCI

CAPITAL

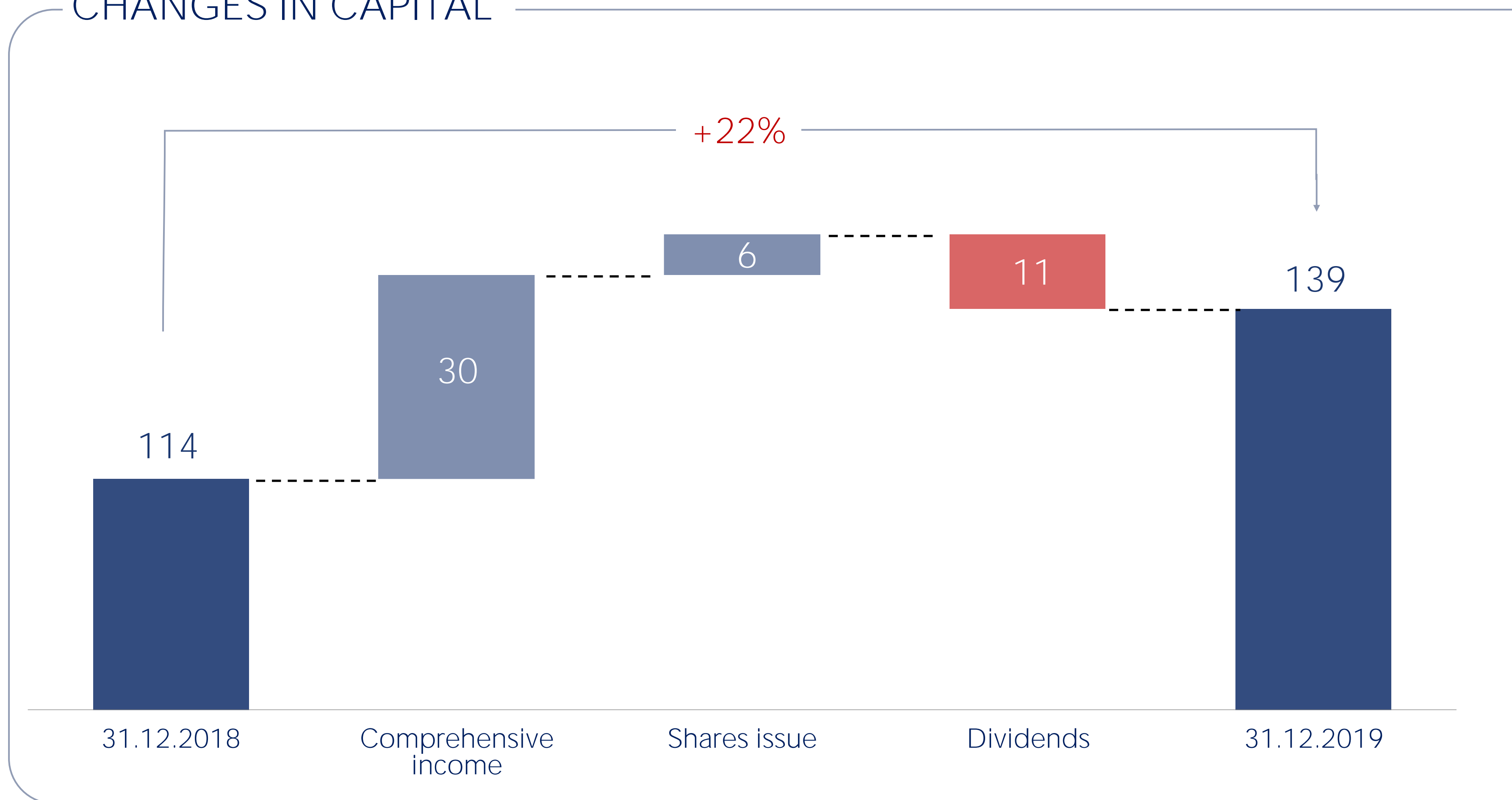
₽BN

Fully loaded regulatory requirements

N1.x



CHANGES IN CAPITAL



CAPITAL MARKETS TRACK RECORD

EXTERNAL CAPITAL RAISE

¥15.6BN

Equity raised in 2018-2019

- Investments from Sovereign Wealth Funds from Russia, Middle East, China and Japan, as well as private investors (Rosevrobank co-founders) for 13% of the Bank's shares

INVESTORS



JAPAN
BANK FOR
INTERNATIONAL
COOPERATION

AT2 EUROBOND

\$300M

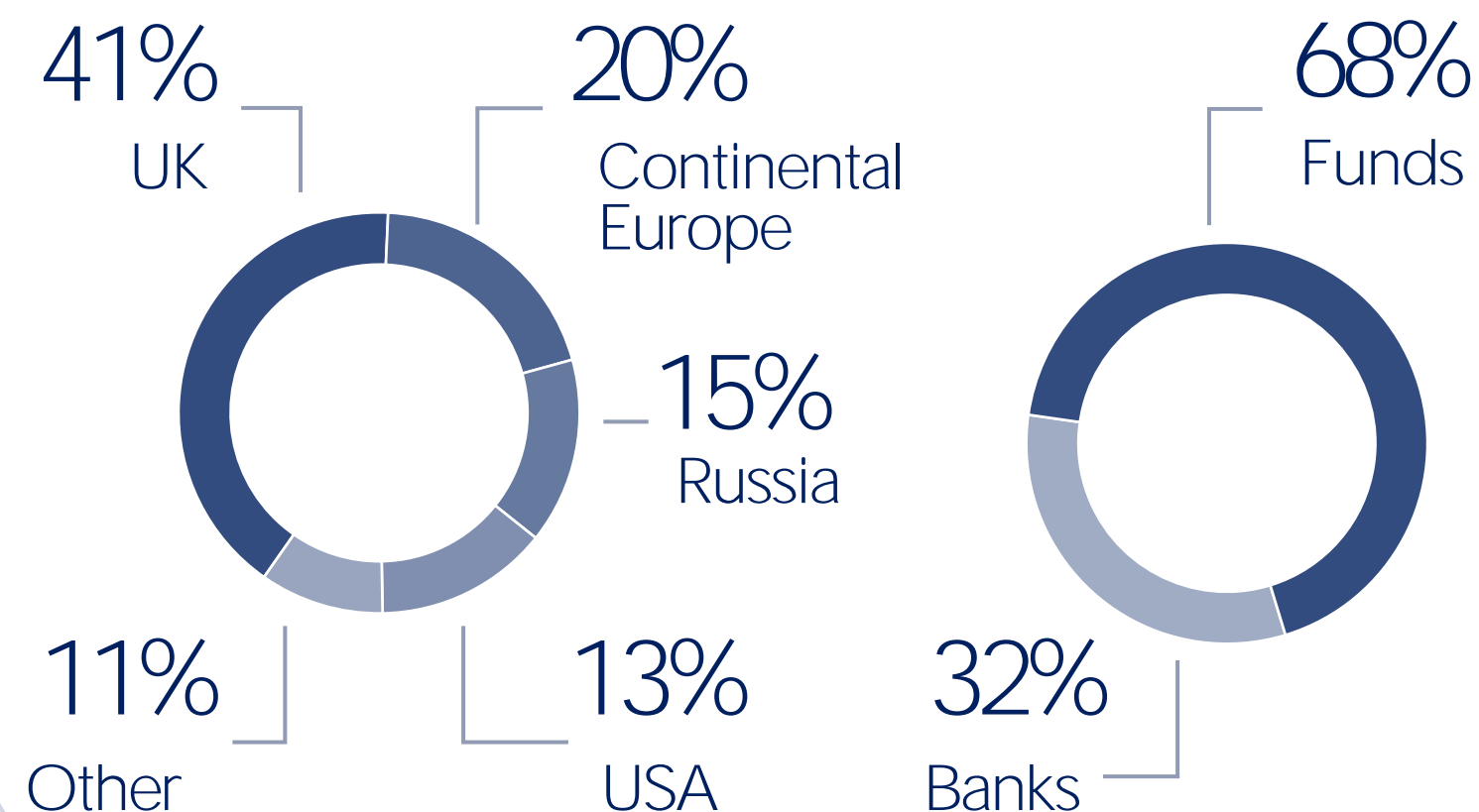
Amount

8.00%

Coupon

- The first Eurobond issuance by Sovcombank
- High quality, long only institutional investors

INVESTORS



AT1 EUROBOND

\$300M

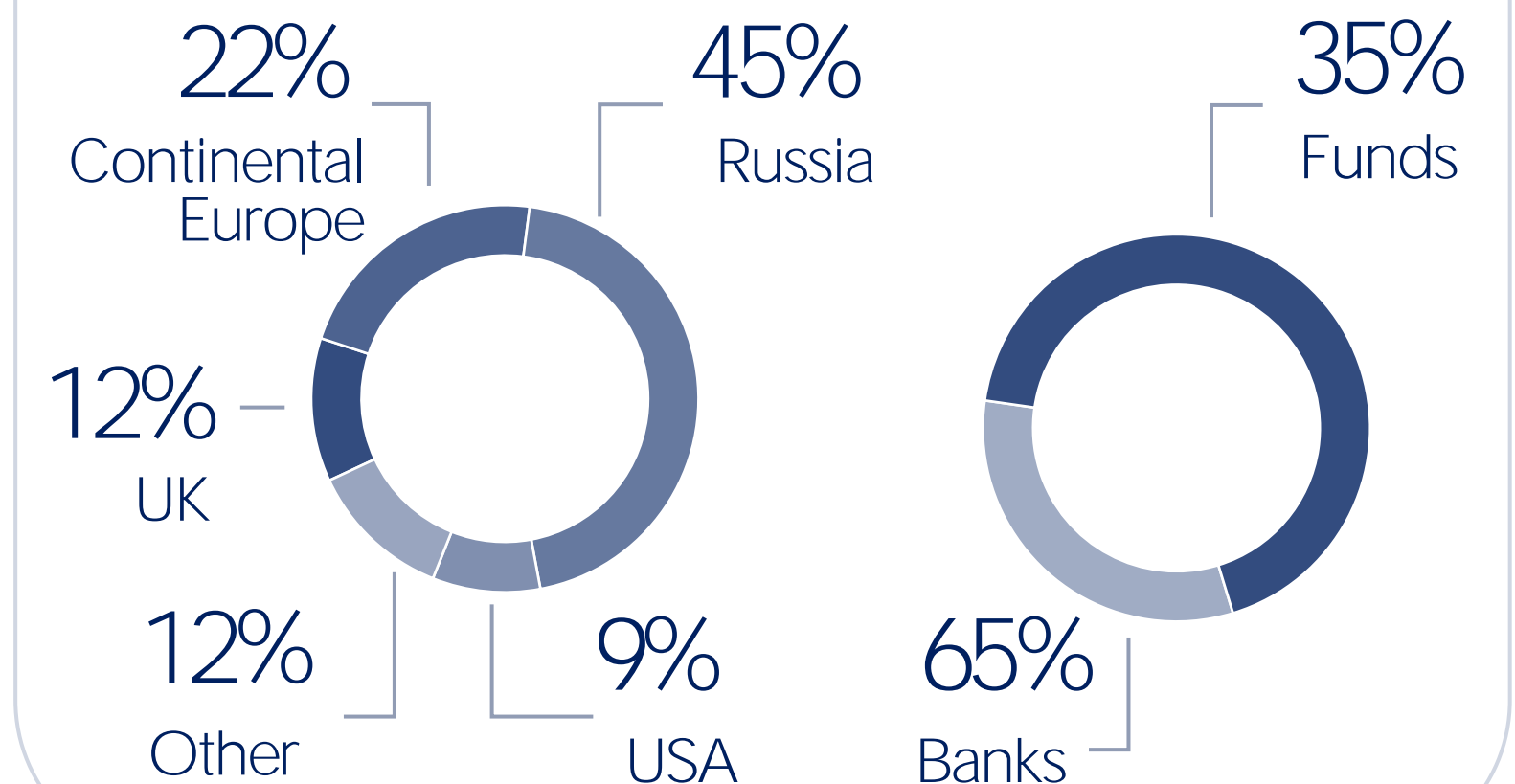
Amount

7.75%

Coupon

- c. 6.3x book coverage
- Second lowest coupon rate for AT1 issues out of CIS / FSU

INVESTORS



CREDIT RATINGS

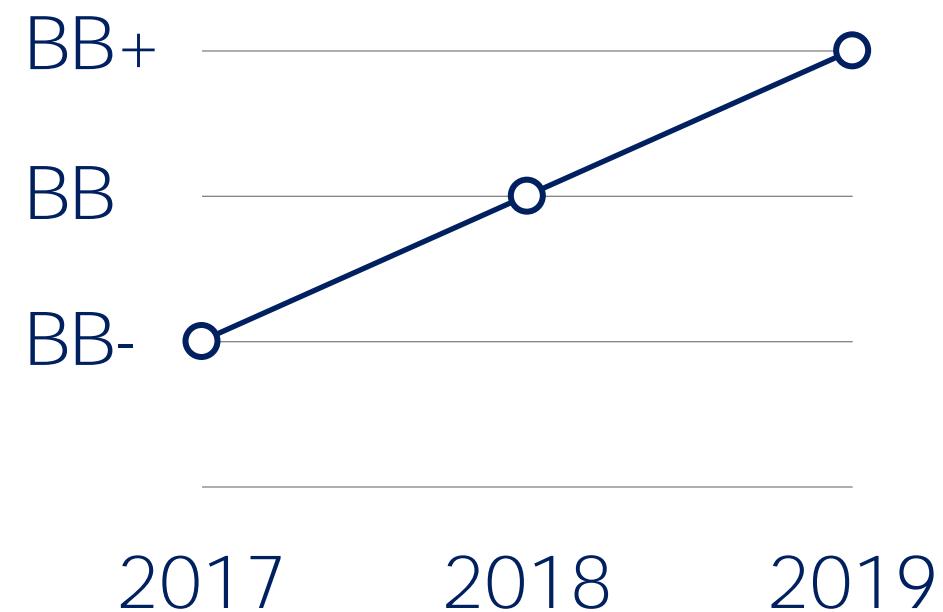
4 rating upgrades in 2019

FitchRatings

BB+

negative

07.04.2020

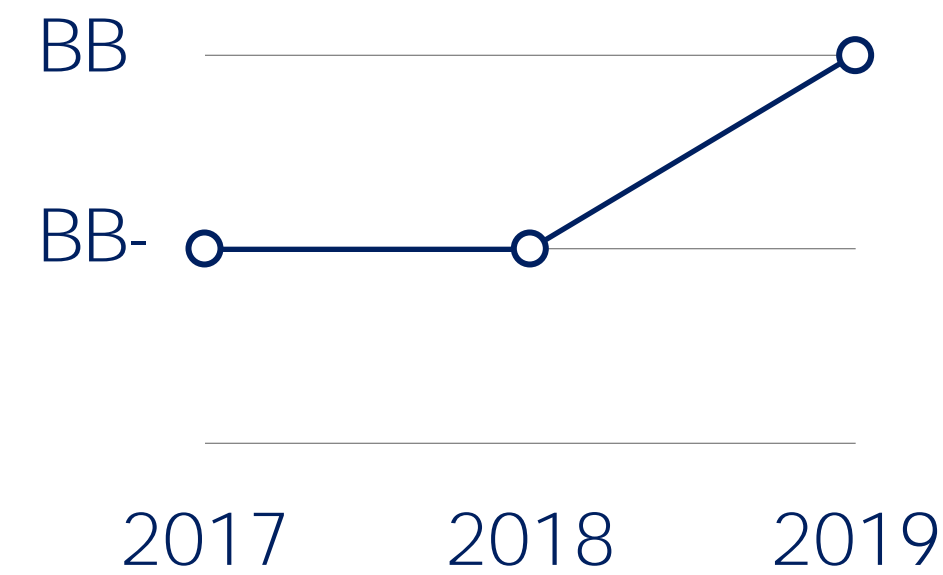


S&P Global

BB

stable

20.09.2019

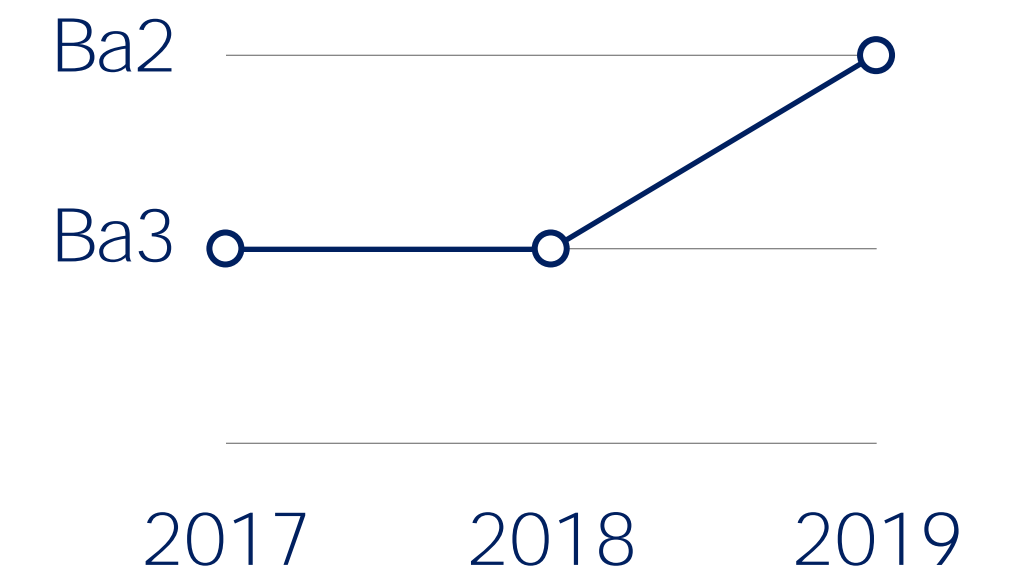


MOODY's

Ba2

stable

30.09.2019

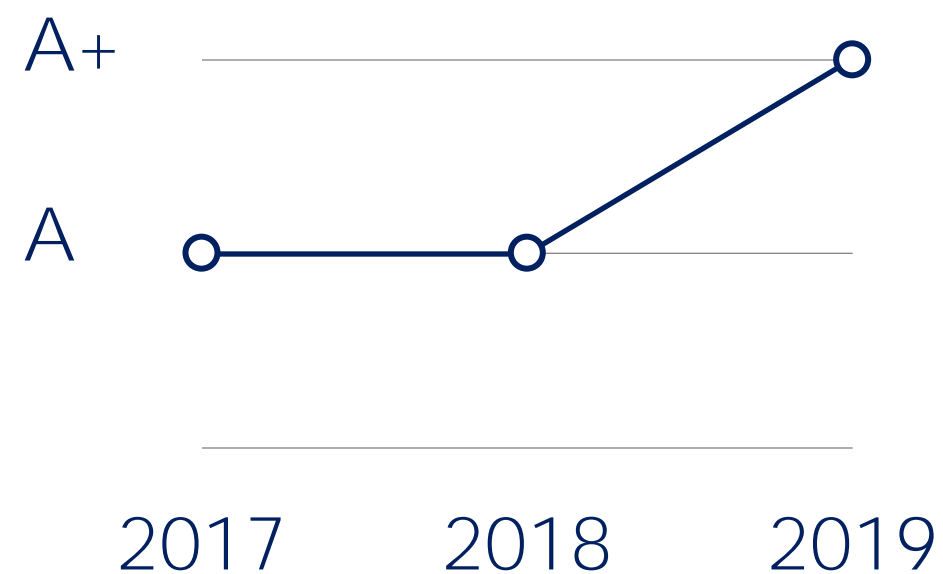


ACRA

A+

stable

09.08.2019

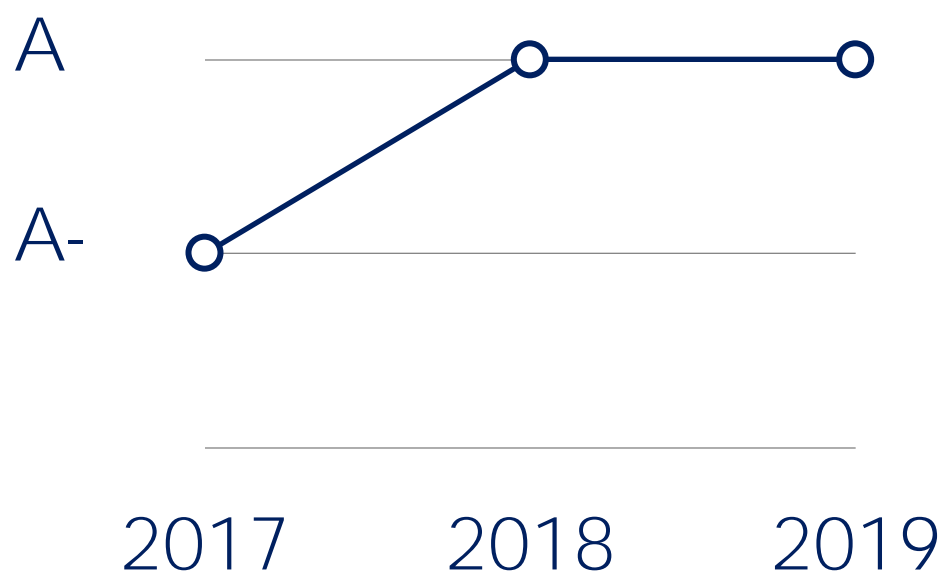


Expert РЕЙТИНГОВОЕ АГЕНТСТВО

A

positive

21.10.2019



 **NCR**

AA-

stable

30.12.2019



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

RESPONSE TO THE CRISIS

Revaluation of bond portfolio

Limited impact on P&L due to reclassification to the portfolio of bonds at amortized cost as at 01 Feb 2022, in line with the CBR's temporary loosening regulatory measures

FX

Devaluation of Rouble has limited effect:

- FX position is hedged at any time
- FX rate for the valuation of FX assets for regulatory purposes is fixed as at 01 Mar 2020, in line with the CBR's temporary loosening regulatory measures

Changes in dividend policy

Plans to suspend dividend payouts from 2Q20 until the situation is clear

Cost of risk going forward

Elevated cost of risk due to precautionary increase in provisions (zero actual defaults)

Exposure to potentially problematic industries

Limited mainly to the state-owned companies

Cost-cutting

To be evaluated. The Bank has experience to navigate through the three crises

Client defaults

No actual defaults but we are still evaluating the situation and create extra provisions

Profit outlook in 2020

Significant decline in profit in 2020 vs. 2019 mainly due to elevated Cost of risk

Liquidity

Increase in term deposit volumes of retail & corporate clients in comparison with 01 January 2020

BANK DURING THE PANDEMIC

Remote work

- 70% of the back office staff in Moscow and 50% of the regional staff work remotely
- 12,000+ employees may work remotely
- Purchased extra 2000+ laptops for remote work
- Closed ~30% offices but at least one office open in each town

Critical functions

- Critical functions (client payments, treasury, etc.) switched to shift work (one week remotely / one week on site)
- Bank has all the facilities to maintain the critical operations functioning 24/7

Employees

- Strict adherence to the recommendations of the State authorities
- Ventilation and disinfection of offices
- Masks acquired for all staff working on site
- Emergency action plans have been developed and distributed
- 24/7 hotline is available
- Quarantine is mandatory for employees coming back from abroad
- Recommendation to cancel holidays and switch to remote work
- All non-critical business trips canceled

APPENDIX



2019 FY

BALANCE SHEET

₽ BN	31.12.2017	31.12.2018	31.12.2019
Cash ¹	43	115	114
Retail loan portfolio ²	137	190	260
Corporate loan portfolio ³	109	192	213
Bond portfolio ⁴	361	409	488
<i>Bonds at FVPL</i>	340	220	245
<i>Bonds at amortized cost</i>	21	189	131
<i>Bonds at FVOCI</i>	-	-	112
Other assets ⁵	39	61	60
Total assets	689	967	1 135
<i>Off-balance sheet bank guarantees</i>	113	148	143
Current accounts and demand deposits ⁶	49	128	179
Term deposits ⁷	310	471	595
Wholesale funding & other liabilities ⁸	245	254	222
Total liabilities	604	853	996
Total Equity	85	114	139

Source: IFRS financial statements (2017 – 2019)

1. Cash and cash equivalents, Mandatory cash balances with the CBR

2. Retail loans 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; Financial instruments at FVOCI; Corporate bonds measured at amortized cost less allowance for impairment and bonds of Russian banks measured at amortized cost less allowance for impairment

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

7. Term deposits of individuals and legal entities

8. Due to CBR, Due to banks, Debt securities issued, subordinated debt, other borrowed funds, deferred tax liability, current income tax payable, other liabilities

INCOME STATEMENT

₪ BN	2017	2018	2019
NII ¹	33.0	47.5	55.1
NFCI	18.1	20.0	24.9
Other operating income (before allowance)	17.1	(3.3)	9.1
Allowance for credit losses, other provisions	(7.2)	(8.7)	(11.5)
OPEX	(24.3)	(34.7)	(39.3)
PBT	36.7	20.8	38.3
Income tax expense	(7.1)	(3.3)	(8.2)
Profit for the period	29.6	17.5	30.1
One-offs before tax	16.7	(3.8)	8.5
Securities revaluation ²	12.6	(7.9)	5.7
FX ³	2.7	0.8	1.9
Other one-offs ⁴	1.4	3.3	0.9
One-offs after tax	13.4	(3.1)	6.8
Sustainable profit	16.2	20.6	23.3

Source: IFRS financial statements (2017 – 2019)

1. Sum of Interest income, Interest expense and Obligatory deposit insurance

2. 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

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

4. Sum of Bargain purchase gain, Gain from settlement of pre-existing relationship, Gain from asset restructuring, Revaluation of investments in associates, Revaluation of buildings and investment property and Other operating income

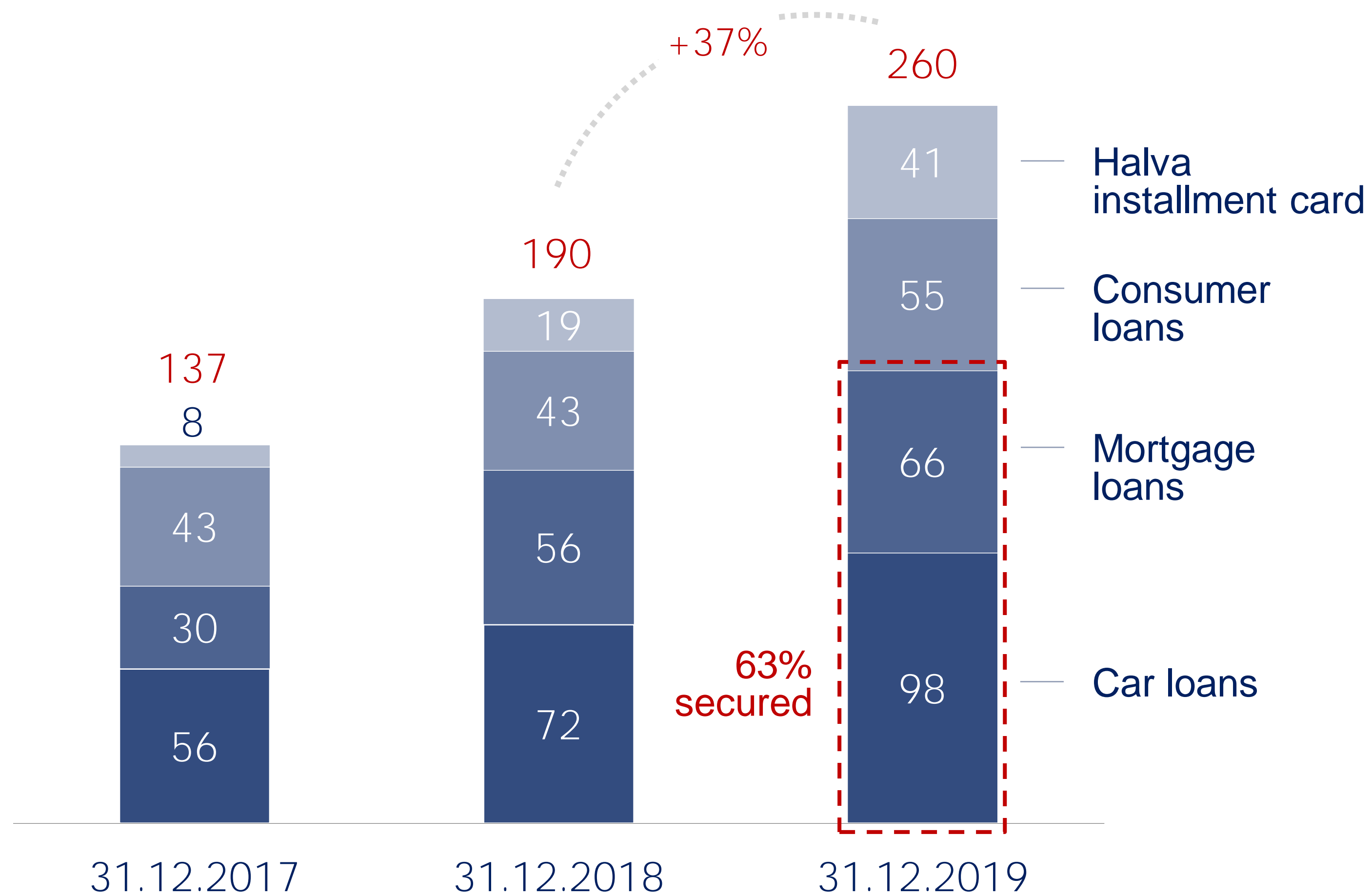
FINANCIAL HIGHLIGHTS

	2017	2018	2019
ROE	40.7%	17.3%	23.8%
Sustainable ROE	22.3%	20.4%	18.4%
ROA	4.8%	2.1%	2.9%
Sustainable ROA	2.6%	2.4%	2.3%
Net interest margin	5.8%	6.6%	6.4%
Operating margin	8.2%	8.0%	7.8%
Cost to income	47.6%	51.5%	49.1%
Cost of risk	1.7%	2.1%	1.6%
Cost of funding	6.5%	5.2%	5.1%
Total CAR	14.5%	13.8%	14.7%
Tier 1 CAR	14.5%	12.2%	12.3%
N1.1 Ratio	10.0%	9.4%	9.3%
N1.0 Ratio	12.9%	12.6%	13.0%
N1.2 Ratio	11.0%	10.3%	9.8%

RETAIL LOAN PORTFOLIO¹

₪BN

2/3 of portfolio – secured lending



x2.1

Installment cards growth vs. 2018

+37%

Car loans growth vs. 2018

+28%

Consumer loans growth vs. 2018

+17%

Mortgage loans growth vs. 2018

18.1%

Retail portfolio yield

3.0%

Retail portfolio Cost of Risk

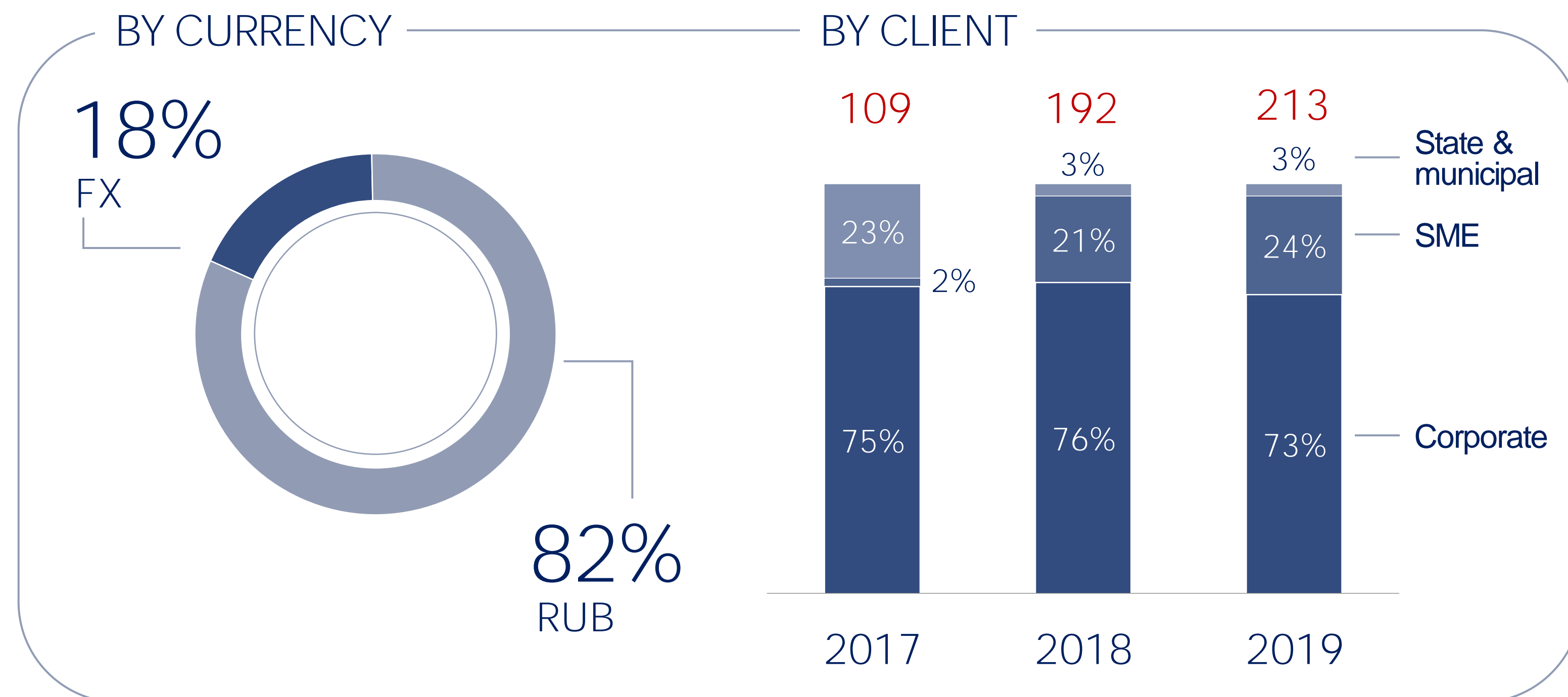
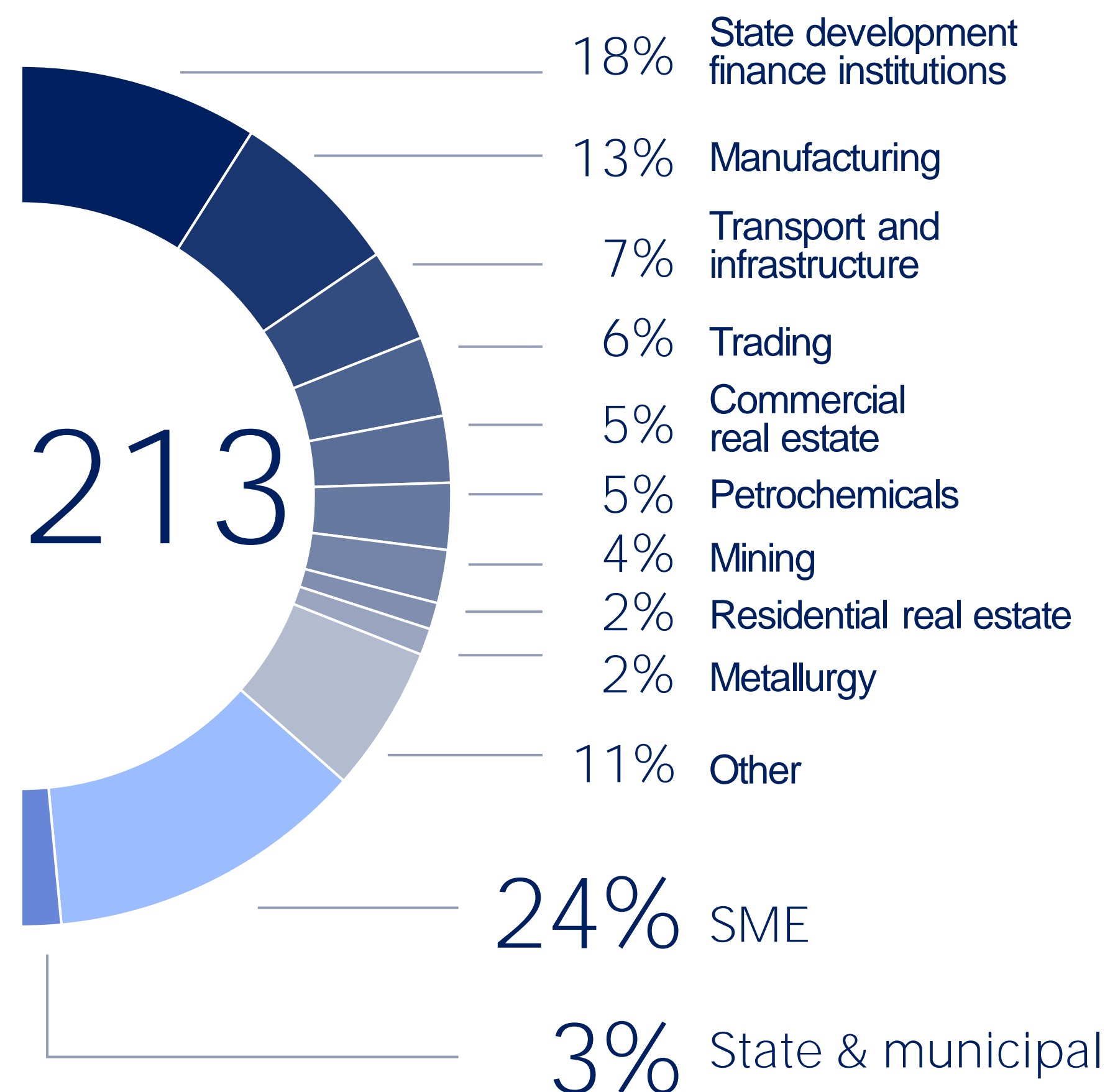
Source: IFRS financial statements (2017 – 2019)

1. Retail loans (₪274 BN) less allowance for loan impairment (₪14 BN).

CORPORATE LOANS¹

₽BN

Corporate loan portfolio - 1.5x total equity



2.6%

Stage 3 & POCI corporate loans

145%

Stage 3 & POCI coverage³

0.9%

Related party loans² / Equity

Source: IFRS financial statements (as at 31 December 2019)

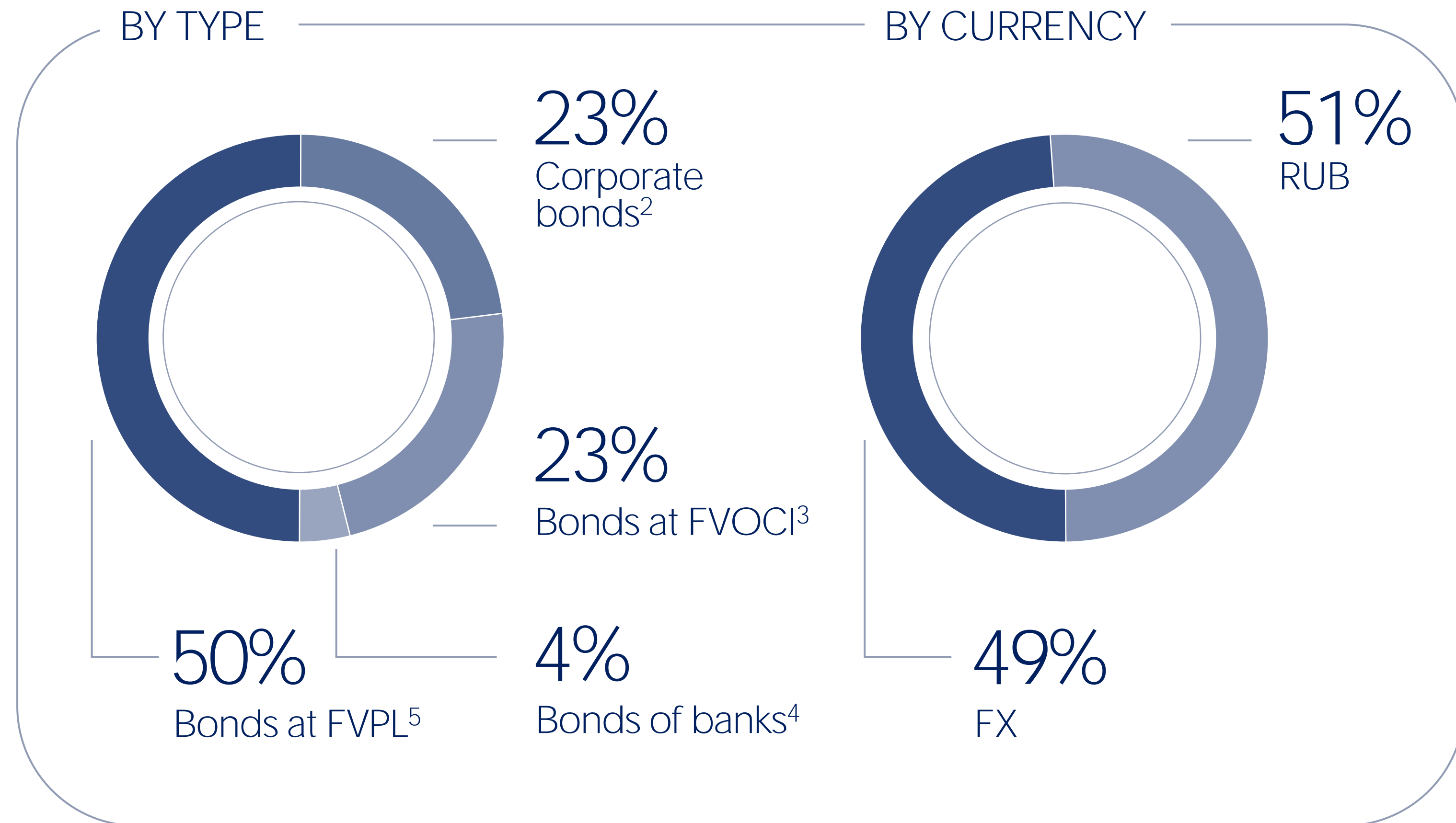
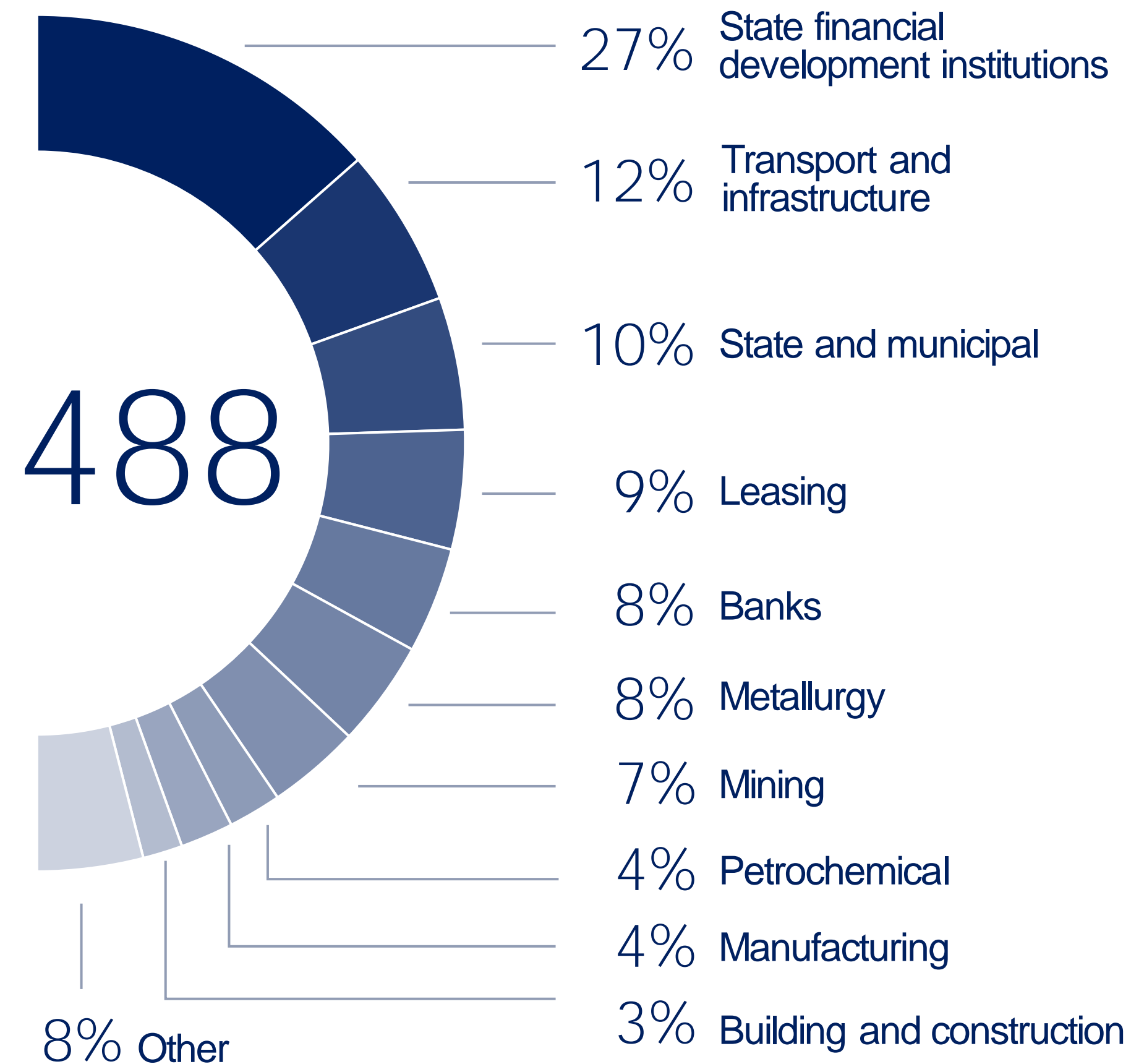
1. Corporate loans, Loans to small businesses and other loans to customers and Loans to constituent entities and municipalities of the Russian federation, less allowance for loan impairment
2. Related party loans less allowance for loan impairment

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)

BOND PORTFOLIO¹

₽BN

Diversified portfolio mainly consisted of Russian blue chips



Source: IFRS financial statements (as at 31 December 2019)

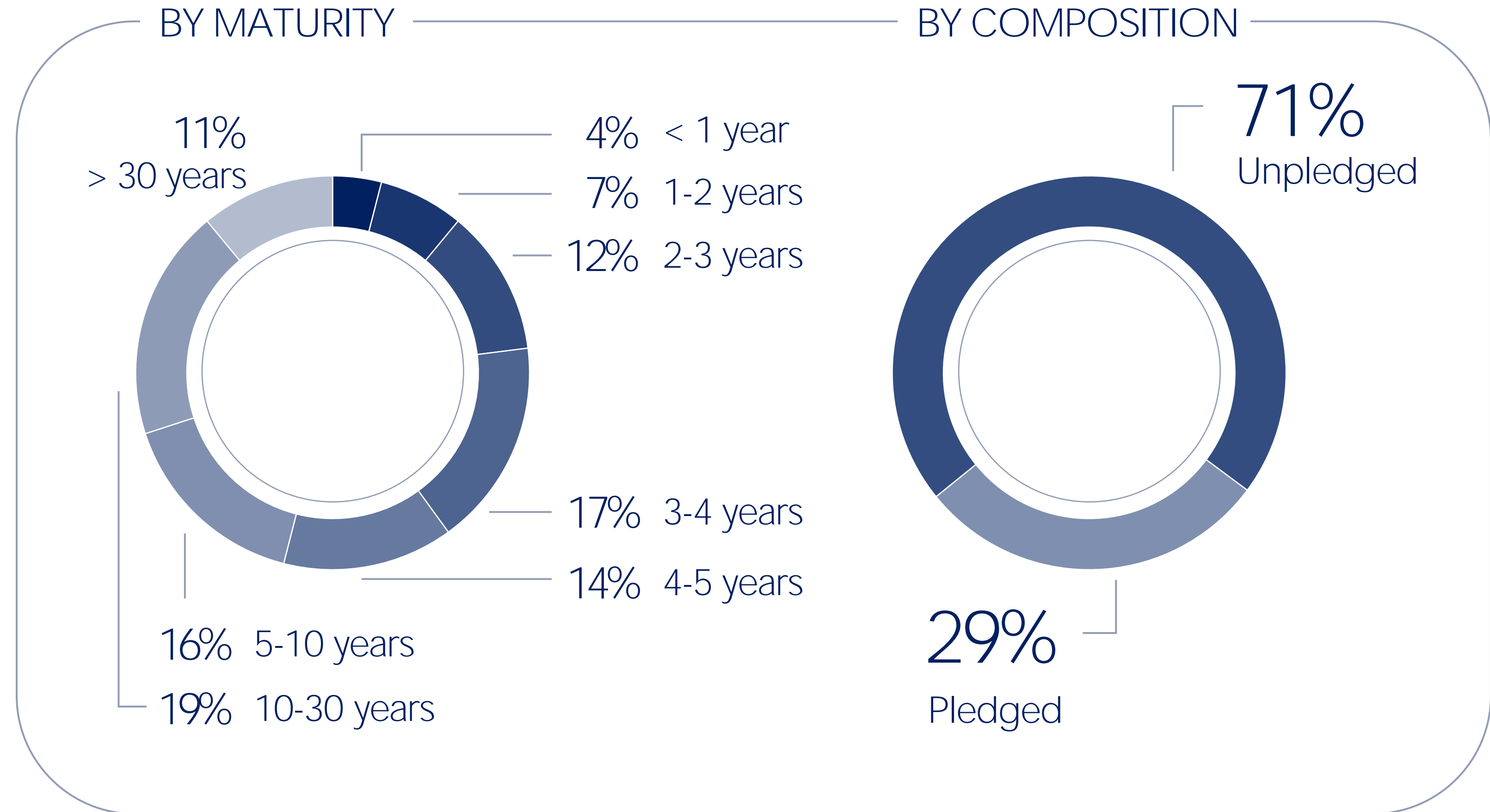
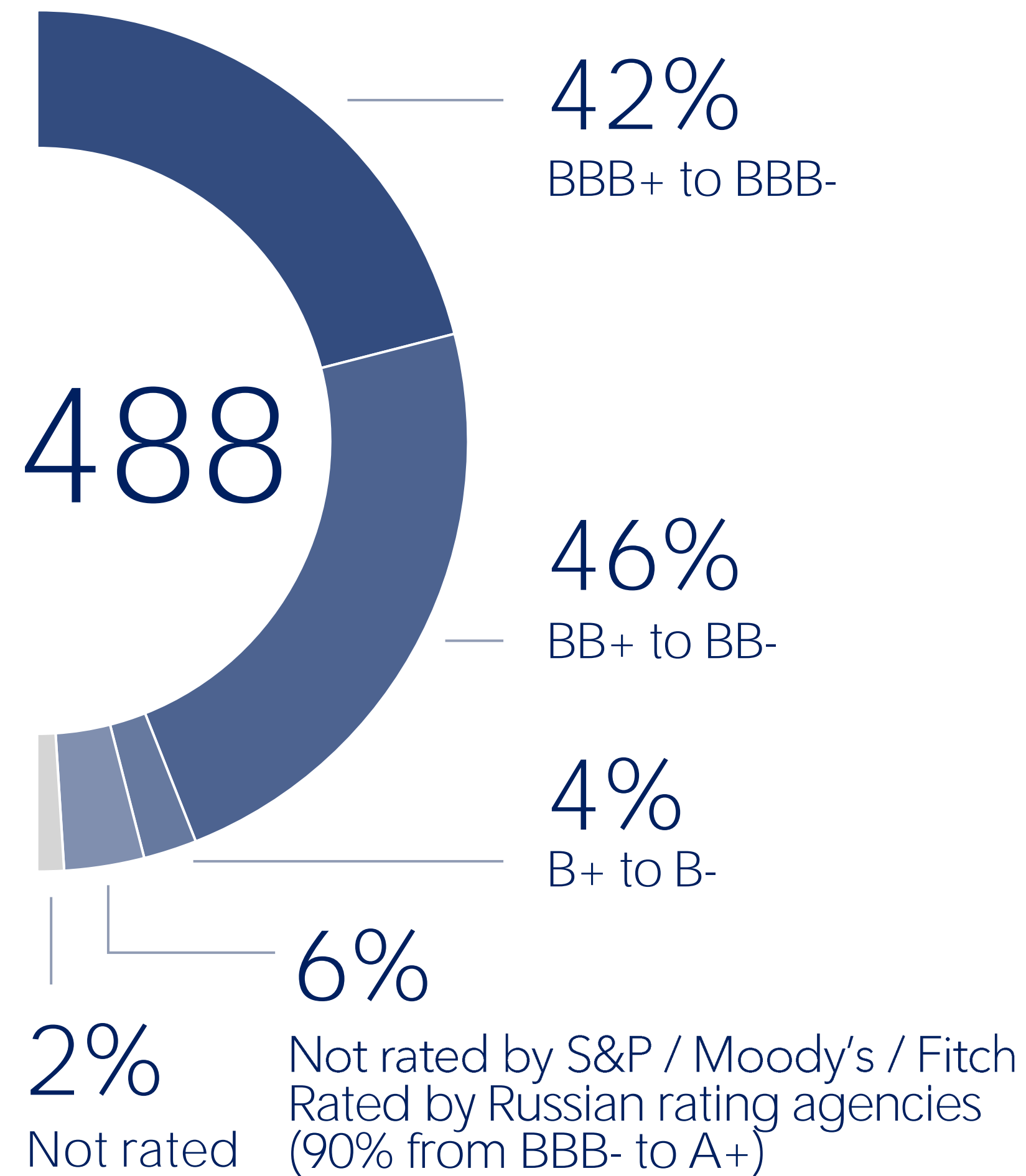
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2. Corporate bonds, bonds of companies with state participation and Russian subfederal and municipal bonds measured at amortized cost less allowance for impairment
3. Financial instruments at FVOCI
4. Bonds of Russian banks measured at amortized cost less allowance for impairment
5. Financial instruments at FVPL excluding derivative financial instruments, corporate shares and shares of companies with state participation

BOND PORTFOLIO¹

₽BN

Liquid & high quality portfolio



Source: IFRS financial statements (as at 31 December 2019)

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

