CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

2 (Bldg. 1) Lukov pereulok, Moscow, Russia, 107045, tel.: +7 (495) 777-4-888, fax: +7 (495) 797-4210
Telex: 614645 MCB RU, SWIFT: MCRB RU MM, E-mail: info@mkb.ru, www.mkb.ru

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CBM announces its IFRS results for 12M2019

Key results

- Assets increased by 12.9% to RUB 2.4 tln ($39.1 bln[1]).
- Gross loan portfolio rose by 12.0% yoy (by 7.3% in 4Q19) to RUB 829.2 bln ($13.4 bln).
- Ratio of NPLs (90+ days) to gross loan portfolio amounted to 3.6%.
- Loan loss provisions grew from 4.2% to 4.9% of gross loan portfolio.
- Cost of risk (COR) stayed at 1.0% like in 2018.
- Customer deposits increased by 5.3% to RUB 1.3 tln ($21.6 bln), with retail deposits rising by 29.6% to RUB 486.2 bln ($7.9 bln).
- Basel III capital grew by 1.8% to RUB 302.9 bln ($4.9 bln), while core capital expanded by 17.0% to RUB 170.2 bln ($2.7 bln).
- Capital adequacy ratio remained high at 21.2%, and core Tier 1 capital adequacy ratio rose by 1.2 pp to 11.9%.
- Interest income increased by 6.8% to RUB 147.4 bln ($2.4 bln).
- Net interest income as percentage of average RWA was 3.6%.
- Net income was RUB 12.0 bln ($193.1 mln), return on equity stood at 7.8%[2].

Key financials

Balance sheet	**2019**	**2018**	**change, %**
Assets, RUB bln	2,423.5	2,145.9	+12.9%
Gross loan portfolio, RUB bln	829.2	740.1	+12.0%
Gross corporate loan portfolio, RUB bln	719.4	643.5	+11.8%
Gross retail loan portfolio, RUB bln	109.8	96.6	+13.7%
Liabilities, RUB bln	2,213.1	1,954.8	+13.2%
Customer deposits, RUB bln	1,339.5	1,272.2	+5.3%
Retail accounts, RUB bln	486.2	375.1	+29.6%
Equity, RUB bln	210.4	191.2	+10.1%
Key financial ratios, %			
90+ NPL ratio (before provisions)	3.6%	1.6%	
Cost of risk (COR)	1.0%	1.0%	
Provisioning ratio	4.9%	4.2%	
Net loans / deposits	58.9%	55.7%	
Core Tier 1 ratio	11.9%	10.7%	
Basel capital adequacy ratio (CAR)	21.2%	21.9%	
Income statement	**2019**	**2018**	**change, %**
Interest income, RUB bln	147.4	137.9	+6.8%
Net fee and commission income, RUB bln	11.5	12.3	-6.6%

[1] $1 = RUB 61.9057, CBR's exchange rate as at 31.12.2019

[2] ROAE disregards the RUB 37.9 bln perpetual subordinated debt

Net income, RUB bln	12.0	27.2	-56.1%
Earnings per share, RUB	0.32	0.89	-64.0%
Key financial ratios, %			
Net interest margin (NIM)	2.2%	2.6%	
Net interest income as percentage of average RWA (NII/ARWA)	3.6%	4.4%	
Cost-to-income ratio (CTI)	51.6%	29.8%	
Return on equity (ROAE)	7.8%	19.9%	
Return on assets (ROAA)	0.5%	1.4%	

The Bank's **total assets** increased by 12.9% to RUB 2,423.5 bln driven by the loan portfolio expanding by 11.2% to RUB 788.7 bln (after provisions) and by deposits in banks and other financial institutions rising by 9.4% to RUB 1,190.1 bln.

Gross loan portfolio expanded by 12.0% in 2019 to RUB 829.2 bln, having grown by 7.3% or RUB 56.6 bln in 4Q. It had a 86.8% share of corporate loans and a 13.2% share of retail loans. The corporate loan portfolio rose by 11.8% yoy (16.4% net of currency revaluation) to RUB 719.4 bln mainly due to loans issued to large high-quality corporate customers. The retail loan portfolio increased by 13.7% yoy to RUB 109.8 bln as unsecured consumer lending rose by 14.1% to RUB 82.4 bln and mortgage lending by 14.6% to RUB 23.7 bln.

Loan portfolio quality is maintained at a high level. After overdue debt (NPL90+) increased in the first half of 2019 due to the deteriorated financial condition of a large corporate borrower, the second half-year saw no adverse changes in the loan portfolio, with NPL90+ declining by 0.3 pp compared to 1H2019 and reaching 3.6%. Loan portfolio quality preservation is also evidenced by the cost-of-risk ratio that was as low as 1.0% at end-2019. The NPL90+ coverage ratio was maintained by the Bank at a good level of 136.6% as at 2019YE.

Customer deposits, representing 60.5% of the total liabilities, demonstrated stable growth in 2019, having increased by 5.3% to RUB 1,339.5 bln. The deposit base expanded mainly due to a strong 29.6% inflow of retail deposits that reached thus RUB 486.2 bln or 36.3% of total deposits. Corporate deposits declined by 4.9% in 2019 to RUB 853.4 bln, having grown, however, by 5.4% in 4Q. The ratio of net loans to deposits increased to 58.9% as at end-2019.

Debt securities issued grew by 60.1% to RUB 168.5 bln after USD 500 mln and EUR 500 mln senior Eurobonds were issued in February and March. Thus, debt securities' proportion in the liabilities structure expanded to 7.6%.

Core Tier I capital ratio calculated in accordance with Basel III rose from 10.7% as at 2018YE to 11.9% as at 2019YE. **Total capital adequacy ratio** reduced from 21.9% to 21.2%.

Core capital increased by 17.0% yoy to RUB 170.2 bln. The Bank's **total capital** according to the Basel III standards rose by 1.8% yoy to RUB 302.9 bln. The capital structure was strengthened by a RUB 14.7 bln SPO carried out on the Moscow Exchange in November 2019. The additional and tier 2 capitals declined because of currency revaluation and partial buyback and cancellation of subordinated Eurobonds CBOM27 and CBOM-perp in November 2019.

Net income for 2019 was RUB 12.0 bln. It fell largely because the perpetual subordinated Eurobonds nominated in a foreign currency were revaluated as the rouble exchange rate continued to climb in 4Q2019, and because net interest income shrank while risk indicators remained at their 2018 levels.

Net interest income decreased by 6.5% yoy to RUB 45.3 bln as interest income rose by 6.8% and interest expense by 14.0% in 2019 due to a faster growth of retail deposits and repricing of large corporate deposits in 1H2019. **Net interest income as percentage of average RWA** was 3.6%.

Net fee income reduced by 6.6% yoy to RUB 11.5 bln. This was mainly caused by a decrease in settlement and bank transfer fees mostly resulting from retail fee cuts and lower cash handling fee income. However, 2019 saw plastic card fee income grow by 21.2% to RUB 2.9 bln after an upgrade of the loyalty programme helped expand the portfolio of active cards and boost customers' transaction activity.

Operating income (before provisions) in 2019 was RUB 36.3 bln. **Operating expense** rose by 9.3% yoy to RUB 21.2 bln as the payroll budget grew by 17.2% to RUB 14.4 bln due to general expansion of the Bank's business and tougher competition among employers.

Enquiries

CREDIT BANK OF MOSCOW

Investors	**Media**
Eric de Beauchamp	Victoria Poigina
Edebeauchamp@mkb.ru	Poigina@mkb.ru
ir@mkb.ru	
+7-495-797-4222 ext. 6150	+7-495-797-4222 ext. 6052

For reference

CREDIT BANK OF MOSCOW is a universal commercial non-state public bank providing the full range of banking services to corporate and retail customers and financial institutions. The Bank is included in the CBR`s list of systemically important banks.

The Bank was ranked as a top-2 privately-owned bank by total assets in INTERFAX-100 as at 1 January 2020. The Bank is currently rated 'Ba3' with a stable outlook by Moody's; 'BB' with a stable outlook by Fitch; 'BB-' with a stable outlook by S&P; 'AA+' on Chinese national scale from China Lianhe Credit Rating Co; 'A (RU)' with a stable outlook by ACRA, 'ruA' with stable outlook by Expert RA. In October 2019 CBM became first Russian bank to get ESG rating, 'BBB' from Rating-Agentur Expert RA GmbH. The Bank has a proven track record in the international capital markets with a debut Eurobond issue placed in 2006.

The Bank was founded in 1992 and acquired by Mr. Roman Avdeev in 1994. Concern Rossium holds 56.07% of CBM's shares, the remaining 43.93% of its shares are owned by minority shareholders. CREDIT BANK OF MOSCOW successfully closed its initial public offering on the Moscow Exchange in June 2015. The Bank's shares (ticker: CBOM) were included in MOEX Russia Index, RTS Index and MSCI EM Small Cap Index. The Bank`s free-float is 20%.

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