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MKB's IFRS net income for 9 months of 2020 has reached RUB 17.1 bln

Key results

- Net income grew by 43.9% yoy to RUB 17.1 bln.
- Return on equity and return on assets were 13.1%¹ and 0.8%, respectively (9M2019: 10.6% and 0.7%; 2019YE: 7.8% and 0.5%).
- Net interest income grew by 32.4% yoy to RUB 42.5 bln.
- Net interest margin expanded by 0.1 pp to 2.2%.
- Cost-to-income ratio dropped to 29.9%.
- Assets increased by 21.8% ytd to RUB 2,952.7 bln
- Gross loan portfolio (before provisions) grew by 22.0% ytd to RUB 1,011.7 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio fell from 3.6% to 3.1%.
- Cost of risk (COR) stabilised at 2.1%, demonstrating a negative trend after the first quarter of 2020.
- Customer accounts and deposits increased by 10.1% ytd to RUB 1,474.3 bln.
- Basel III capital grew by 6.2% ytd to RUB 321.8 bln, with capital adequacy ratio of 18.2%, and Tier 1 Capital ratio of 12.6%.

Key financials

Income statement	9M2020	9M2019	change, %
Net interest income (before provisions), RUB bln	42.5	32.1	+32.4%
Net fee and commission income, RUB bln	7.6	8.5	-9.8%
Operating income (before provisions), RUB bln	52.6	30.6	+71.7%
Operating expense, RUB bln	15.7	15.8	-0.3%
Net income, RUB bln	17.1	11.9	+43.9%
Earnings per share, RUB	0.49	0.35	+40.0%
Key financial ratios, %			
Net interest margin (NIM)	2.2%	2.1%	
Net interest income as percentage of average RWA (NII/ARWA)	3.9%	3.4%	
Cost-to-income ratio (CTI)	29.9%	51.5%	
Return on equity (ROAE)	13.1%	10.6%	
Return on assets (ROAA)	0.8%	0.7%	
Balance sheet	3Q 2020	2019	change, %
Assets, RUB bln	2,952.7	2,423.5	+21.8%
Gross loan portfolio, RUB bln	1,011.7	829.2	+22.0%
Gross corporate loan portfolio, RUB bln	890.7	719.4	+23.8%
Gross retail loan portfolio, RUB bln	120.9	109.8	+10.1%
Liabilities, RUB bln	2,731.7	2,213.1	+23.4%

¹ ROAE disregards the RUB 44.9 bln perpetual subordinated debt.

Customer deposits, RUB bln	1,474.3	1,339.5	+10.1%
Corporate deposits, RUB bln	966.2	853.4	+13.2%
Retail deposits, RUB bln	508.1	486.2	+4.5%
Equity, RUB bln	221.0	210.4	+5.0%
Capital (Basel), RUB bln	321.8	302.9	+6.2%
Key financial ratios, %			
Basel capital adequacy ratio (CAR)	18.2%	21.2%	
90+ NPL ratio (before provisions)	3.1%	3.6%	
Cost of risk (COR)	2.1%	1.0%	
Provisioning ratio	5.2%	4.9%	
Net loans / deposits	65.0%	58.9%	

Net income for 9M2020 grew by 43.9% yoy to RUB 17.1 bln. The growth of net income was driven mainly by a significant increase in net interest income and positive trade income from operations with securities.

Return on equity for 9M2020 increased to 13.1%.

Net interest income rose by 32.4% ytd to RUB 42.5 bln, which was driven by corporate loans and debt securities.

Net interest margin widened by 0.1 pp yoy to 2.2% as interest income grew by 7.1% to RUB 116.8 bln and interest expense reduced by 3.5% to RUB 74.2 bln. **Net interest income as percentage of average RWA** rose by 0.5 pp ytd to 3.9% as a result of effective utilisation of the bank's funding base amid the overall reduction of interest rates in the Russian economy. **Provisioning charges** grew to RUB 15.8 bln (3Q2020: +RUB 2.9 bln), which was largely driven by higher charges for the retail portfolio in 1H2020, and by the expansion of the overall portfolio.

Net fee and commission income declined by 9.8% yoy to RUB 7.6 bln, mostly due to lower cash handling fees and insurance contract processing fees amid the quarantine restrictions in 1H2020. However, fee income increased by 40.1% in the third quarter compared to the second quarter of 2020, which reflects a gradual recovery of business activity. Guarantee and letter of credit issuance fees remain the main source of fee and commission income, having risen by 116.1% yoy to RUB 3.5 bln.

Net income from operations with securities grew to RUB 8.3 bln mainly driven by the growing value of the portfolio of bonds, mostly federal bonds (OFZ).

Operating income (before provisions) grew by 71.7% yoy to RUB 52.6 bln. **Operating expense** decreased by 0.3% to RUB 15.7 bln as some expense items were optimised. The bank continues to demonstrate a high operational efficiency as its **cost-to-income ratio (CTI)** remained at the low level of 29.9%.

Total assets increased by 21.8% ytd to RUB 3.0 tln driven primarily by the securities portfolio growing by 60.7% to RUB 476.8 bln due to acquisition of OFZ and currency revaluation, and the net loan portfolio expanding by 21.6% to RUB 959.0 bln.

Gross loan portfolio rose by 22.0% ytd (13.0% net of currency revaluation) to RUB 1,011.7 bln. In 3Q2020, the share of corporate loans in the loan portfolio was 88.0%, its retail portion being 12.0%. The corporate loan portfolio expanded by 23.8% (13.8% net of currency revaluation) in 9M2020 to RUB 890.7 bln, with the RUB 78.3 bln (9.6%) growth in 3Q2020. The high growth rates of the corporate portfolio are due to the big volumes of new originations and to the weakening rouble. The retail loan portfolio expanded by 10.1% ytd to RUB 120.9 bln mainly driven by mortgage lending which increased by 26.7% to RUB 30.0 bln, and car lending which increased to RUB 4.7 bln as a result of consolidation with Rusnarbank and Vesta Bank acquired in 2Q2020.

Loan portfolio quality remained at a high level. The share of non-performing loans (NPL 90+) in the gross loan portfolio declined by 0.5 pp ytd to 3.1%. However, the share of second basket loans grew by 2.5 pp ytd to 5.3%, which was driven by several corporate customers affected by the quarantine restrictions. The NPL90+ coverage ratio grew to 168.3% as at 30 September 2020, and the ratio of impairment provisions to gross loan portfolio rose

to 5.2% compared to 4.9% as at end-2019. Cost of risk (COR) was 2.1% as at 9M2020, with its first quarter growth having been followed by a consistent decline as the financial condition of retail and corporate borrowers have been stabilising.

Customer accounts and deposits, which represent 54.0% of the bank's total liabilities, increased by 10.1% ytd to RUB 1,474.3 bln mostly because corporate deposits grew by 13.2% to RUB 966.2 bln and due to currency revaluation. Retail deposits demonstrated a more moderate growth, having increased by 4.5% ytd to RUB 508.1 bln. The ratio of net loans to deposits was 65.0% for the first nine months of 2020.

The bank's **total capital** according to the Basel III standards increased by 6.2% ytd to RUB 321.8 bln mainly owing to currency revaluation. The Basel III **capital adequacy ratio** was 18.2% and the Tier I capital ratio was 12.6%.

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 October 2020. The Bank is currently rated 'Ba3' with a stable outlook by Moody's; 'BB' with a negative 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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