CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

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CREDIT BANK OF MOSCOW demonstrates strong IFRS results for 1H2017

Key results

- Net income increased by 97. 5% yoy to RUB 10.0 bln ($169.4 mln).
- Return on equity and return on assets were 18.5%[1] and 1.3% respectively.
- Net interest margin was 2.9%.
- Net interest income as percentage of average RWA was 4.3%[2].
- Assets amounted to RUB 1.6 trln ($26.4 bln).
- Gross loan portfolio rose 14.1% ytd to RUB 760.8 bln ($12.9 bln).
- Ratio of NPLs (90+ days) to gross loan portfolio reduced from 2.3% as at end-2016 to 1.9%.
- Cost of risk (COR) decreased from 4.6% as at end-2016 to 2.1%.
- Customer deposits grew by 16.6% in 1H2017 to RUB 804.1 bln ($13.6 bln).
- Equity increased by 49.3% to RUB 154.4 bln ($2.6 bln).
- Basel III capital grew by 46.2% to RUB 233.6 bln ($3.4 bln), with the capital adequacy ratio of 21.8%, and Tier I ratio of 14.3%.
- Cost-to-income ratio was 29.2%.

Key financial indicators

Balance sheet	**1H2017, RUB bln**	**2016, RUB bln**	**change, %**
Assets	1,588.0	1,568.0	+1.3%
Liabilities	1,434.6	1,464.6	-2.0%
Equity	154.4	103.4	+49.3%
Capital (Basel III)	233.6	159.8	+46.2%
Gross loan portfolio	760.8	666.7	+14.1%
Key financial ratios, %			
Basel capital adequacy ratio (CAR)	21.8%	14.7%	
90+ NPL ratio (before provisions)	1.9%	2.3%	
Cost of risk (COR)	2.1%	4.6%	
Provisioning ratio	5.6%	6.0%	
Net loans / deposits	89.3%	90.9%	

[1] Return on equity calculation does not include USD 700 million perpetual subordinated Eurobond

[2] The net interest income to the average risk-weighted assets classified into the banking book and trading book

Income statement	**6M 2017, RUB bln**	**6M 2016, RUB bln**	**change, %**
Net interest income (before provisions)	20.7	20.5	+1.2%
Fee and commission income	8.0	6.3	+27.0%
Net income	10.0	5.1	+97.5%
Key financial ratios, %			
Net interest margin (NIM)	2.9%	3.5%	
Net interest income as percentage of average RWA (NII/ARWA)	4.3%	4.5%	
Cost-to-income ratio (CTI)	29.2%	22.5%	
Return on equity (ROAE)	18.5%	10.7%	
Return on assets (ROAA)	1.3%	0.8%	

The **net income** for 1H2017 increased by almost 2 times yoy to RUB 10.0 bln. This was driven by fee income growth, which is a priority for the Bank, and improving quality of its loan portfolio, which resulted in lower provisioning.

The **net interest margin** for 1H2017 was 2.9% as highly liquid assets represented a significant percentage of the Bank's balance sheet. **The net interest income as percentage of average RWA** was 4.3%. The Bank's interest margin indicators are in line with market trends.

The **operating income** (before provisions) for 1H2017 decreased by 1.3% to RUB 28.7 bln. The **operating expense** increased by 28.1% to RUB 8.3 bln as the Bank expands its business. The Bank's operational efficiency remained at a high level, as witnessed by the traditionally low **cost-to-income (CTI) ratio** which was 29.2% in the reporting period.

The **gross loan portfolio** grew by 14.1% ytd to RUB 760.8 bln, owing to the corporate loan portfolio expanding by 17.3% to RUB 663.9 bln mainly due to loans issued to high-quality large caps. The retail loan portfolio shrank by moderate 3.6% to RUB 96.9 bln in 1H2017, which reflects the Bank's cautious approach to retail lending. The share of corporate loans in the total loan portfolio grew from 84.9% as at end-2016 to 87.3%. The ratio of non-performing loans (NPL90+) decreased by 0.4 pp to 1.9%. The improving loan portfolio quality was also evidenced by a reduction in the cost of risk to 2.1% in the reporting period from 4.6% as at end-2016. The NPL90+ coverage ratio increased from 263.3% as at end-2016 to 302.9% as at 1H2017.

The **total assets** amounted to RUB 1,588.0 bln as at 1H2017.

The **customer deposits** increased by 16.6% in 1H2017 to RUB 804.1 bln, which is 56.1% of the Bank's total liabilities. The ratio of loans after provisions to deposits was 89.3%.

The Basel III **capital adequacy ratio** grew from 14.7% as at end-2016 to 21.8% in 1H2017. The tier I capital ratio rose from 9.4% to 14.3%. The Bank's total capital according to the Basel III standards increased by 46.2% in 1H2017 to RUB 233.6 bln, mainly due to USD 600 mln and USD 700 mln subordinated Eurobonds placed in April and May which were factored in tier 2 and tier 1 capital calculations, respectively.

Infrastructure development

As of 30 June 2017, CREDIT BANK OF MOSCOW had 96 offices, 24 stand-alone cash desks, 1,063 ATMs and 5,945 payment terminals (31 December 2016: 91, 24, 1,026 and 5,725 respectively).

Enquiries

CREDIT BANK OF MOSCOW

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For reference

CREDIT BANK OF MOSCOW is a universal commercial privately-owned bank providing the full range of banking services to corporate and retail customers and financial institutions.

The Bank was ranked as a top-3 privately-owned bank by total assets in INTERFAX-100 as at 1 July 2017. Forbes Magazine included the Bank in the top 3 most reliable privately-owned banks in Russia. The Bank is currently rated ‘B1’ with a positive outlook by Moody’s; ‘BB-‘ with a stable outlook by Fitch; ‘BB-‘ with a stable outlook by S&P; A-(RU) with a positive outlook by ACRA. 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. Mr. Avdeev beneficially owns 56.8% of CBM’s shares, the remaining 43.2% 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, and in June 2016 the Bank’s shares (ticker: CBOM) were included in MICEX and RTS indices. The Bank`s free-float was 25% as at 2Q2017.

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