CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

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CREDIT BANK OF MOSCOW reports its IFRS income for 6M2019

Key results

- Interest income grew by 4.5% yoy to RUB 70.5 bln ($1.1 bln[1]).
- Fee and commission income increased by 2.7% yoy to RUB 7.5 bln ($118.3 mln).
- Net income was RUB 2.2 bln ($34.3 mln), of which RUB 1.9 bln ($30.5 mln) was earned in 2Q.
- Assets stayed unchanged at RUB 2.1 tln ($33.6 bln).
- Gross loan portfolio shrank by 4.7% to RUB 705.2 bln ($11.2 bln), while retail loan portfolio expanded by 4.7% to RUB 101.2 bln.
- Loan loss provisions grew from 4.2% to 5.5% of gross loan portfolio ytd, while cost of risk (COR) decreased by 1.5 pp to 1.7% in 2Q.
- Retail deposits rose by 16.6% ytd to RUB 437.2 bln ($6.9 bln).
- Capital adequacy ratio remained high, given dividend payments, at 21.0%, Tier 1 Capital ratio was 13.6%.

Rating actions

- In June 2019 Fitch Ratings upgraded CREDIT BANK OF MOSCOW's credit rating to "BB", stable outlook, reflecting improved assets quality achieved over the last 2 years.
- In April 2019 Expert RA upgraded the Bank's credit rating to "ruA", stable outlook, reflecting improved assets quality and the resulting lower pressure on its capital.

Key financials

Income statement	6M2019	6M2018	change, %
Interest income, RUB bln	70.5	67.5	+4.5%
Fee and commission income, RUB bln	7.5	7.3	+2.7%
Net income, RUB bln	2.2	11.0	-80.4%
Key financial ratios, %			
Net interest margin (NIM)	1.9%	2.7%	
Return on equity (ROAE)	2.9%	16.5%	
Balance sheet	**1H 2019**	**2018**	**change, %**
Assets, RUB bln	2 118.2	2 145.9	-1.3%
Gross loan portfolio, RUB bln	705.2	740.1	-4.7%
Gross retail loan portfolio, RUB bln	101.1	96.6	+4.7%
Liabilities, RUB bln	1 928.6	1 954.8	-1.3%
Retail accounts, RUB bln	437.2	375.1	+16.6%
Debt securities issued, RUB bln	155.1	105.3	+47.3%
Capital (Basel), RUB bln	290.3	297.4	-2.4%

[1] $1 = RUB 63.0756, CBR's exchange rate as at 30.06.2019

Key financial ratios, %			
90+ NPL ratio (before provisions)	3.9%	1.6%	
Cost of risk (COR)	1.7%	1.0%	
Provisioning ratio	5.5%	4.2%	
Net loans / deposits	55.3%	55.7%	
Basel capital adequacy ratio (CAR)	21.0%	21.9%	

Net income for the first 6 months of 2019 was RUB 2.2 bln. It declined compared to 1H2018 mainly due to accounting specifics of FX perpetual subordinated Eurobonds in Tier I capital on the back of Rouble appreciation in the 1H2019. This had a negative effect on net income and, in a similar amount, positive effect on revaluation of capital. In terms of general change in capital, the effect was neutral. Net income was also impacted by growing provisioning charges, which reached RUB 5.6 bln and were mostly made in 1Q2019 due to the deteriorated financial condition of a large corporate borrower.

Net interest income was RUB 19.0 bln, **net interest margin** for 1H2019 stayed at 1.9% like in 1Q. The margin remains under pressure as highly liquid assets dominate the balance sheet structure and the deposit base is expanding. **Net interest income after provisions** was RUB 13.5 bln.

Fee and commission income grew by 2.7% yoy to RUB 7.5 bln because cash operations income, including cash handling income, rose by 37.3% to RUB 1.5 bln. **Net fee and commission income** was RUB 5.6 bln.

Operating income (before provisions) was RUB 13.2 bln. **Operating expense** increased by 17.8% yoy to RUB 10.7 bln as payroll budget grew by 27.3% to RUB 7.8 bln due to general expansion of the bank's business.

Total assets amounted to RUB 2.1 tln.

Gross loan portfolio shrank by 4.7% to RUB 705.2 bln due to big repayments in the second quarter, weaker demand from corporate borrowers in the market, and currency revaluation. However, rouble-nominated loans rose by 8.0% in 1H2019. The share of corporate loans in the total loan portfolio was 85.7%, while its retail portion grew to 14.3%. Retail loans grew by 4.7% to RUB 101.1 bln due to a 13.0% increase in mortgage lending to RUB 23.4 bln and a 2.6% increase in unsecured consumer lending to RUB 74.1 bln.

Loan portfolio quality is maintained at a stable high level, as evidenced by a reduction in the cost of risk by 1.5 pp to 1.7% in 2Q. The NPL90+ coverage ratio was 142.2%. The NPL90+ ratio grew from 1.6% to 3.9% (growth by 1.4 pp in 2Q2019) mostly due to the deteriorated financial condition of a large corporate borrower, as was the case with 1Q2019.

Customer deposits, which represent 62.5% of the bank's total liabilities or RUB 1,204.6 bln, decreased by 5.3% ytd, having grown, however, by 5.4% in 2Q. Retail deposits increased by 16.6% to RUB 437.2 bln, the growth being observed in both term and demand deposits. Corporate deposits shrank by 14.5% ytd to RUB 767.4 bln, however they expanded by 5.4% in 2Q. The ratio of net loans to deposits dropped to 55.3% as at the end of 1H2019.

The Basel III capital adequacy ratio remained at a high level of 21.0% and the Tier I capital ratio was 13.6%. The Bank's total capital according to the Basel standards decreased by 2.4% in 1H2019 to RUB 290.3 bln, mostly due to currency revaluation and dividend payments.

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 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 July 2019. 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; ‘A (RU)’ with a stable outlook by ACRA, ‘ruA’ with stable outlook by Expert RA. 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 18%.

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