CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

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CBM's IFRS income for the first three months of 2020 increased to RUB 5.2 bln

Key 1Q 2020 results

- Net income increased to RUB 5.2 bln ($66.3 mln[1]) yoy.
- Return on equity[2] and return on assets increased to 12.0% and 0.8%, respectively (1Q2019: 0.7% and 0.04%; 2019YE: 7.8% и 0.5%).
- Net interest income grew by 31.2% yoy to RUB 12.7 bln ($162.9 mln).
- Net interest margin expanded to 2.1% yoy, up by 0.2 pp.
- Net fee and commission income grew by 6.6% yoy to RUB 2.7 bln ($34.2 mln).
- Assets rose by 14.7% ytd to RUB 2.8 tln ($35.8 bln).
- Gross loan portfolio expanded by 10.1% ytd to RUB 912.6 bln ($11.7 bln).
- Ratio of NPLs (90+ days) to gross loan portfolio decreased by 0.3 pp to 3.3%.
- Cost of risk (COR) increased to 3.3% from 1.0% as at end-2019 as the macroeconomic adjustments were changed in the provisioning model to reflect the COVID-19 outbreak and the economic turmoil.
- Customer deposits rose by 4.5% to RUB 1.4 tln ($18.0 bln).
- Basel III capital grew by 3.8% to RUB 314.3 bln ($4.0 bln), with capital adequacy ratio of 20.5%, and Tier 1 Capital ratio of 13.7%.
- Operational efficiency materially improved: cost-to-income (CTI) ratio decreased to 27.2%

Key financials

Income statement	**3M2020**	**3M2019**	**change, %**
Net interest income (before provisions), RUB bln	12.7	9.6	+31.2%
Net fee and commission income, RUB bln	2.7	2.5	+6.6%
Net income, RUB bln	5.2	0.2	+2,064.7%
Earnings per share, RUB	0.14	-0.02	
Key financial ratios, %			
Net interest margin (NIM)	2.1%	1.9%	
Net interest income as percentage of average RWA (NII/ARWA)	3.7%	3.2%	
Cost-to-income ratio (CTI)	27.2%	65.0%	
Return on equity (ROAE)	12.0%	0.7%	
Return on assets (ROAA)	0.8%	0.04%	
Balance sheet	**1Q 2020**	**2019**	**change, %**
Assets, RUB bln	2,780.8	2,423.5	+14.7%
Gross loan portfolio, RUB bln	912.6	829.2	+10.1%
Gross corporate loan portfolio, RUB bln	796.8	719.4	+10.8%

[1] $1 = RUB 77.7325, CBR's exchange rate as at 31.03.2020
[2] ROAE disregards the RUB 42.1 bln perpetual subordinated debt.

Gross retail loan portfolio, RUB bln	115.8	109.8	+5.4%
Liabilities, RUB bln	2,568.2	2,213.1	+16.0%
Customer deposits, RUB bln	1,399.3	1,339.5	+4.5%
Corporate deposits, RUB bln	902.7	853.4	+5.8%
Retail deposits, RUB bln	496.5	486.2	+2.1%
Equity, RUB bln	212.6	210.4	+1.0%
Capital (Basel), RUB bln	314.3	302.9	+3.8%
Key financial ratios, %			
Basel capital adequacy ratio (CAR)	20.5%	21.2%	
90+ NPL ratio (before provisions)	3.3%	3.6%	
Cost of risk (COR)	3.3%	1.0%	
Provisioning ratio	5.4%	4.9%	
Net loans / deposits	61.7%	58.9%	

Net income for the first three months 2020 grew to RUB 5.2 bln (3M2019: RUB 0.2 bln). This was due to an increase in net interest income reflecting the expansion of business volumes, and a positive currency revaluation of the FX-nominated perpetual subordinated Eurobonds.

Return on equity for the first quarter of 2020 increased to 12.0%.

Net interest income rose by 31.2% yoy to RUB 12.7 bln as the bank's key business areas developed.

Net interest margin widened by 0.2 pp yoy to 2.1% in 1Q2020 as interest income rose by 10.4% to RUB 38.9 bln. **Net interest income as percentage of average RWA** rose by 0.5 pp to 3.7% as a result of effective utilisation of the bank's funding base amid overall reduction of interest rates in the Russian economy. The bank had preventively made stricter its IFRS provisioning policy by adding macro adjustments and sectoral risks to its provisioning model in view of the coronavirus outbreak and the lower oil prices, which caused **provisioning charges** to grow to RUB 7.5 bln. **Net interest income after provisions** remained, however, on the rise, having increased by 16.0% to RUB 5.1 bln.

Net fee and commission income for the three months of 2020 grew by 6.6% yoy to RUB 2.7 bln, driven mostly by documentary operations and trade finance.

Operating income (before provisions) grew by 3 times yoy to RUB 18.9 bln, **operating expense** was RUB 5.1 bln. In the first quarter of 2020, the bank materially improved its operational efficiency: the cost-to-income (CTI) ratio decreased to 27.2%.

The bank's **total assets** increased by 14.7% ytd to RUB 2.8 tln driven by the net loan portfolio expanding by 9.5% to RUB 863.7 bln, by deposits in banks and other financial institutions rising by 13.3% to RUB 1.3 tln, and the securities portfolio growing by 39.3% to RUB 413.2 bln due to acquisition of federal bonds (OFZ) and currency revaluation.

Gross loan portfolio rose by 10.1% ytd to RUB 912.6 bln. The corporate and retail segments represented 87.3% and 12.7%, respectively, of the total loan portfolio. The corporate loan portfolio expanded by 10.8% to RUB 796.8 bln in 1Q2020 due to new originations and a positive revaluation of its FX-nominated portion. The retail loan portfolio grew by 5.4% to RUB 115.8 bln mainly as mortgage lending rose by 7.1% to RUB 25.4 bln.

In line with the market trend provoked by the COVID-19 pandemic's impact on the financial condition of some corporate and retail borrowers, provisions grew in the first quarter of 2020, causing the cost of risk (COR) to rise by 2.3 pp to 3.3%. The loan portfolio quality, however, is maintained at a consistently high level, as shown by the ratio of non-performing loans (NPL90+) to the gross loan portfolio which declined by 0.3 pp ytd to 3.3%. The share of stage 3 loans (impaired loans) in the gross loan portfolio measured at amortised value decreased by 0.2 pp to 4.3%. The NPL90+ coverage ratio was 160.8% as at 31 March 2020, and the ratio of impairment provisions to gross loan portfolio rose to 5.4% compared to 4.9% as at end-2019.

Customer deposits, which represent 54.5% of the bank's total liabilities or RUB 1,399.3 bln, increased by 4.5% ytd. The deposit base expanded due to a positive currency revaluation and an inflow of deposits mainly in March. Retail deposits expanded by 2.1% in 1Q2020 to RUB 496.5 bln. Corporate deposits rose by 5.8% ytd to RUB 902.7 bln. The ratio of net loans to deposits was 61.7% for the first three months of 2020.

CBR deposits totalling RUB 215.0 bln were taken in March 2020 through a repo auction at an attractive rate. The bank utilised them for short-term treasury operations and has now no indebtedness to the CBR except for target financing.

The Basel III **capital adequacy ratio** remained at a high level of 20.5% and the Tier I capital ratio was 13.7%. The bank's total capital according to the Basel III standards increased by 3.8% ytd to RUB 314.3 bln mainly owing to currency revaluation.

Enquiries

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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 April 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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