

1 September 2020, Moscow

## MKB announces its IFRS financial results for 6M2020

### Key results

- Net income increased by almost 4 times yoy to RUB 9.1 bln.
- Return on equity and return on assets were 10.5%<sup>1</sup> and 0.7%, respectively (6M2019: 2.9% and 0.2%; 2019YE: 7.8% и 0.5%).
- Net interest income increased by 44.5% yoy to RUB 27.5 bln
- Net interest margin expanded to 2.2%, up by 0.3 pp yoy.
- Cost-to-income ratio (CTI) stabilised at 30.8%.
- Assets rose by 13.6% ytd to RUB 2.8 tln.
- Gross loan portfolio (before provisions) grew by 12.0% ytd to 929.0 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio amounted to 3.4%, down by 0.2 pp yoy.
- Customer accounts and deposits rose by 5.7% to RUB 1.4 tln.
- Basel III capital grew by 3.0% ytd to RUB 312.0 bln, with capital adequacy ratio of 19.8%, and Tier 1 Capital ratio of 13.7%.

### Key financials

Income statement	6M2020	6M2019	change, %
Net interest income (before provisions), RUB bln	27.5	19.0	+44.5%
Net fee and commission income, RUB bln	4.7	5.6	-15.7%
Operating income (before provisions), RUB bln	34.7	15.7	+120.4%
Operating expense, RUB bln	10.7	10.7	-
Net income, RUB bln	9.1	2.2	+322.2%
Earnings per share, RUB	0.25	0.02	
<b>Key financial ratios, %</b>			
Net interest margin (NIM)	2.2%	1.9%	
Net interest income as percentage of average RWA (NII/ARWA)	3.9%	3.1%	
Cost-to-income ratio (CTI)	30.8%	68.2%	
Return on equity (ROAE)	10.5%	2.9%	
Return on assets (ROAA)	0.7%	0.2%	
Balance sheet	1H2020	2019	change, %
Assets, RUB bln	2,752.3	2,423.5	+13.6%
Gross loan portfolio, RUB bln	929.0	829.2	+12.0%
Gross corporate loan portfolio, RUB bln	812.5	719.4	+12.9%
Gross retail loan portfolio, RUB bln	116.6	109.8	+6.1%

<sup>1</sup> ROAE disregards the RUB 40.8 bln perpetual subordinated debt.

Liabilities, RUB bln	2,535.4	2,213.1	+14.6%
Customer deposits, RUB bln	1,416.2	1,339.5	+5.7%
Corporate deposits, RUB bln	912.6	853.4	+6.9%
Retail deposits, RUB bln	503.6	486.2	+3.6%
Equity, RUB bln	216.9	210.4	+3.1%
Capital (Basel), RUB bln	312.0	302.9	+3.0%
<b>Key financial ratios, %</b>			
Basel capital adequacy ratio (CAR)	19.8%	21.2%	
90+ NPL ratio	3.4%	3.6%	
Cost of risk (COR)	2.8%	1.0%	
Provisioning ratio	5.6%	4.9%	
Net loans / deposits	62.0%	58.9%	

**Net income** for the first six months of 2020 grew to RUB 9.1 bln (6M2019: RUB 2.2 bln). It was driven by a significant increase in net interest income and a positive effect from operations with securities in 2Q2020.

**Return on equity** for 6M2020 increased to 10.5%.

**Net interest income** rose by 44.5% ytd to RUB 27.5 bln, which was driven in particular by corporate loans and debt securities.

**Net interest margin** widened by 0.3 pp yoy to 2.2% in 1H2020 as interest income grew by 10.7% to RUB 78.1 bln and interest expense reduced by 1.7% to RUB 50.6 bln. **Net interest income as percentage of average RWA** rose by 0.8 pp yoy 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 12.9 bln, which was largely driven by the retail portfolio during the pandemic. **Net interest income after provisions** remained, however, on the rise, having increased by 8.0% to RUB 14.6 bln.

**Net fee and commission income** declined by 15.7% yoy to RUB 4.7 bln, most notably in cash collection and transfers and payments, due to the overall slump in business activity during the quarantine.

**Net income from operations with securities** grew to the all-time high RUB 8.6 bln. The Bank's well-balanced liquidity management strategy and timely decision to expand its portfolio of bonds, buying mostly federal bonds (OFZ), helped it earn more income in 2Q2020.

**Operating income** (before provisions) more than doubled yoy reaching RUB 34.7 bln. **Operating expense** decreased by 0.5% to RUB 10.7 bln as most of major expense items were optimised. The bank continues to demonstrate a high operational efficiency as its **cost-to-income ratio (CTI)** stabilised at 30.8%.

**Total assets** rose by 13.6% ytd to RUB 2.8 tln driven primarily by the securities portfolio growing by 56.9% to RUB 465.4 bln due to acquisition of OFZ and currency revaluation, and the net loan portfolio expanding by 11.2% to RUB 877.4 bln.

**Gross loan portfolio** rose by 12.0% ytd to RUB 929.0 bln. Its corporate and retail portions were 87.5% and 12.5%, respectively. The corporate loan portfolio expanded by 12.9% to RUB 812.5 bln mostly due to new originations and revaluation of its FX-nominated portion in 1H2020. The retail loan portfolio expanded by 6.1% ytd to RUB 116.6 bln. This growth was mainly driven by the mortgage loan portfolio which increased by 16.4% to RUB 27.6 bln, and the car loan portfolio which expanded to RUB 3.3 bln as a result of consolidation with Rusnarbank in May 2020.

**Loan portfolio quality** is maintained at a high level: the share of non-performing loans (NPL 90+) in the gross loan portfolio declined by 0.2 pp ytd to 3.4%. However, the first half-year saw the share of second basket loans growing to 5.1% from 2.8% as at end-2019, which was mainly driven by corporate customers affected by the quarantine restrictions. Cost of risk (COR) increased by 1.8 pp ytd to 2.8% as the macroeconomic adjustments in the provisioning model were changed in the first quarter and the pandemic affected the financial condition of some

corporate and retail borrowers. The NPL90+ coverage ratio grew to 165.9%, as at 30 June 2020, and the ratio of impairment provisions to gross loan portfolio rose to 5.6% compared to 4.9% as at end-2019.

**Customer deposits**, which represent 55.9% of the bank's total liabilities or RUB 1,416.2 bln, increased by 5.7% ytd. The deposit base expanded due to an inflow of customer deposits, mainly in June, and FX revaluation. Corporate and retail deposits demonstrate a stable positive growth, having increased by 6.9% and 3.6% ytd to RUB 912.6 bln and RUB 503.6 bln, respectively. The ratio of net loans to deposits was 62.0% for the first six months of 2020.

The bank's **total capital** according to the Basel III standards increased by 3.0% ytd to RUB 312.0 bln mainly owing to currency revaluation. The Basel III **capital adequacy ratio** was 19.8% and the Tier I capital ratio was 13.7%.

## Enquiries

### CREDIT BANK OF MOSCOW

Investors	Media
Eric de Beauchamp	Victoria Poigina
<a href="mailto:Edebeauchamp@mkb.ru">Edebeauchamp@mkb.ru</a>	<a href="mailto:Poigina@mkb.ru">Poigina@mkb.ru</a>
+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 July 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, MKB 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 MKB'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%.

For more information, please visit <http://mkb.ru/>