

18 March 2021, Moscow

MKB's IFRS net income for 12 months of 2020 increased to RUB 30.0 bln

Key results of 2020

- Net income increased by more than 2.5 times yoy to RUB 30.0 bln.
- Return on equity and return on assets increased to 16.9%¹ and 1.1% respectively (2019YE: 7.8% and 0.5%).
- Net interest income (before provisions) grew by 30.8% yoy to RUB 59.2 bln.
- Net interest margin was 2.3%. Net interest income as percentage of average RWA (NII/RWA) rose by 0.4 pp to 4.0%.
- Net fee and commission income grew by 33.8% yoy to RUB 15.4 bln.
- Cost-to-income ratio dropped to 28.3%.
- Assets increased by 20.3% to RUB 2,916.5 bln.
- Gross loan portfolio grew by 27.7% yoy to RUB 1,059.1 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio fell from 3.6% to 3.1%.
- Cost of risk (COR) stabilised at 1.8%.
- Customer accounts and deposits increased by 29.7% to RUB 1,737.5 bln.
- Basel III capital grew by 9.7% to RUB 332.3 bln, with capital adequacy ratio of 21.3%, and Tier 1 capital ratio of 15.0%.

Key financials

Income statement	2020	2019	change, %
Net interest income (before provisions), RUB bln	59.2	45.3	+30.8%
Net fee and commission income, RUB bln	15.4	11.5	+33.8%
Operating income (before provisions), RUB bln	77.1	41.1	+87.5%
Net income, RUB bln	30.0	12.0	+151.0%
Earnings per share, RUB	0.90	0.32	+181.3%
Key financial ratios, %			
Net interest margin (NIM)	2.3%	2.2%	
Net interest income as percentage of average RWA (NII/ARWA)	4.0%	3.6%	
Cost-to-income ratio (CTI)	28.3%	51.6%	
Return on equity (ROAE)	16.9%	7.8%	
Return on assets (ROAA)	1.1%	0.5%	

¹ ROAE disregards the RUB 42.0 bln perpetual subordinated debt.

Cost of risk (COR)	1.8%	1.0%	
Balance sheet	2020	2019	change, %
Assets, RUB bln	2,916.5	2,423.5	+20.3%
Gross loan portfolio, RUB bln	1,059.1	829.2	+27.7%
Gross corporate loan portfolio, RUB bln	925.8	719.4	+28.7%
Gross retail loan portfolio, RUB bln	133.3	109.8	+21.4%
Liabilities, RUB bln	2,682.0	2,213.1	+21.2%
Customer deposits, RUB bln	1,737.5	1,339.5	+29.7%
Corporate deposits, RUB bln	1,236.0	853.4	+44.8%
Retail deposits, RUB bln	501.5	486.2	+3.2%
Equity, RUB bln	234.5	210.4	+11.4%
Capital (Basel), RUB bln	332.3	302.9	+9.7%
Key financial ratios, %			
Percentage of impaired loans (stage 3) and POCI loans in loan portfolio (at amortised cost ² , before provisions)	5.0%	5.2%	
90+ NPL ratio (before provisions)	3.1%	3.6%	
Provisioning ratio	4.7%	4.9%	
Net loans / deposits	58.1%	58.9%	
Basel III capital adequacy ratio (CAR)	21.3%	21.2%	

Net income grew by more than 2.5 times yoy to RUB 30.0 bln. The increase in net income was driven by a growth of net interest income, fee and commission income and positive trading income from operations with securities.

Return on equity for 2020 increased to 16.9% (2019: 7.8%).

Net interest income rose by 30.8% yoy to RUB 59.2 bln as interest income on loans to customers grew by 5.5% to RUB 69.2 bln and interest income on securities by 42.3% to RUB 21.0 bln, whereas interest expense reduced by 4.8% to RUB 97.2 bln.

Net interest margin widened to 2.3%. **Net interest income as percentage of average RWA** rose by 0.4 pp yoy to 4.0% as a result of effective utilisation of the bank's funding base taking advantage of globally declining interest rates.

Provisioning charges increased to RUB 18.9 bln as at end-2020, with the main growth occurring in the first half-year amid the overall macroeconomic instability and business activity slump caused by the COVID-19 pandemic. The growth of provisioning charges was also prompted by higher origination of credit products during the year, mainly to corporate customers. **Net interest income after provisions** remained, however, on the rise, having increased by 4.9% to RUB 40.3 bln.

Net fee and commission income increased by 33.8% yoy to RUB 15.4 bln. The growth was mainly driven by financial services fees and brokerage commission, which increased to RUB 5.1 bln. Guarantee and letter of credit issuance fees remain an essential source of fee and commission income, having risen by more than 2 times to RUB 5.1 bln.

² Loans and advances to customers at amortised cost.

Net gains on securities reached RUB 8.3 bln for 2020 driven by the growing value of the portfolio of bonds, mostly federal bonds (OFZ).

Operating income (before provisions) rose by 87.5% yoy to RUB 77.1 bln. **Operating expense** grew by 2.7% to RUB 21.8 bln, in particular as a result of consolidation with Rusnarbank and Vesta Bank acquired in May 2020. Operational efficiency remained traditionally good: the **cost-to-income (CTI) ratio** amounted to 28.3%.

Total assets increased by 20.3% to RUB 2.9 trln driven by the loan portfolio expanding by 28.0% to RUB 1,009.2 bln (after provisions) and by deposits in banks and other financial institutions rising by 13.0% to RUB 1,345.4 bln.

Gross loan portfolio grew by 27.7% (19.6% net of currency revaluation) to RUB 1,059.1 bln. It had a 87.4% share of corporate loans and a 12.6% share of retail loans. The corporate loan portfolio expanded by 28.7% (19.4% net of currency revaluation) to RUB 925.8 bln on the back of the increased demand from high-quality corporate borrowers and revaluation of FX loans. The retail loan portfolio increased by 21.4% to RUB 133.3 bln mainly driven by mortgage lending which increased by 56.9% to RUB 37.2 bln as mortgage loans became more affordable with all-time low interest rates and governmental loan subsidy programmes. The mortgage portfolio also benefited notably from the consolidation with Rusnarbank and Vesta Bank in 2Q2020.

Loan portfolio quality remains steadily high. The share of second and third basket loans stayed at 7.4% like in 2019, while the share of non-performing loans (NPL 90+) in the gross loan portfolio declined by 0.5 pp yoy to 3.1%. Cost of risk increased due to the pandemic by 0.8 pp yoy to 1.8% as the macroeconomic adjustments in the provisioning model were changed in the first half of 2020, which also prompted the NPL90+ coverage ratio to grow to 154.5%.

Customer deposits rose by 29.7% in 2020 (18.8% net of currency revaluation) to RUB 1,737.5 bln or 64.8% of the bank's total liabilities. The deposit base expanded mainly due to a strong 44.8% inflow of corporate deposits (which thus reached RUB 1,236.0 bln) and FX revaluation. The ratio of net loans to deposits was 58.1% as at end-2020.

The bank's **total capital** according to the Basel III standards increased by 9.7% ytd to RUB 332.3 bln mainly owing to the growth of retained earnings. **Core Tier 1 capital ratio** calculated in accordance with Basel III rose by 0.4 pp to 12.3%, **Tier 1 capital ratio** by 0.5 pp to 15.0%, **total capital ratio** by 0.1 pp to 21.3%.

For reference

Credit Bank of Moscow (MKB) is the leading non-state publicly traded Russian bank designated as a systemically important banking institution (SIFI) with equity of c. USD 3.2 bln and total assets of over USD 39.5 bln as of 12m 2020³.

The Bank is amongst the fastest growing and most profitable universal banking institutions in Russia: total assets grew at the CAGR of over 16% and the average ROE amounted to c. 16% in 2017-2020.

MKB operates a well-established diversified universal franchise with a strong footprint in the corporate segment and growing presence in retail banking. The Bank's client-centric business model provides sustainably high through-the-cycle profitability with a moderate risk profile. Despite its robust growth, the Bank maintains sound asset quality with the NPL ratio at 3.1% and NPL coverage of 155% as of 12m 2020.

The Bank was ranked as a top-2 non-state bank by total assets in INTERFAX-100 as at 1 January 2021. MKB is currently rated 'Ba3' / 'BB' / 'BB-' by Moody's / Fitch / S&P. In October 2019 MKB became the first Russian bank to get ESG rating, 'BBB' from Rating-Agentur Expert RA GmbH.

The Bank is publicly traded on Moscow Exchange since June 2015 with a free-float of 20%. MKB shares are included in MOEX Russia Index, RTS Index, MSCI EM Small Cap Index and FTSE Global Equity Index series⁴.

³ MKB total assets and equity were converted at CBR USD/RUB exchange rate of 73.8757 as at 31 December 2020.

⁴ Inclusion into FTSE Global Equity Index Series (GEIS) will be effective after the close of trading on 19 March 2021.

Roman Avdeev is the Bank's controlling shareholder (via Rossium Holding) since 1994. MKB is fully compliant with best international corporate governance practices and has successful track record in raising capital from reputable institutional investors including EBRD and IFC.

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