CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

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# CREDIT BANK OF MOSCOW reports RUB 16.1 bln of IFRS income for 9M2017

## Key results

- Net income increased by 92.7% yoy to RUB 16.1 bln.
- Return on equity and return on assets were 19.3%[1] and 1.3%, respectively.
- Net interest income as percentage of average RWA was 4.3%[2].
- Assets amounted to RUB 1.8 trln.
- Gross loan portfolio rose 24.1% ytd to RUB 827.5 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio reduced from 2.3% as at end-2016 to 1.7%.
- Cost of risk (COR) decreased from 4.6% as at end-2016 to 1.9%.
- Customer deposits grew by 39.0% ytd to RUB 958.7 bln.
- Equity increased by 54.2% ytd to RUB 159.4 bln.
- Basel III capital grew by 61.6% to RUB 258.2 bln, with the capital adequacy ratio of 23.2%, and Tier 1 Capital ratio of 14.2%.
- Cost-to-income ratio was 28.4%.

## Key financial indicators

| **Balance sheet** | **9M2017, RUB bln** | **2016, RUB bln** | **change, %** |
|---|---|---|---|
| Assets | 1,780.1 | 1,568.0 | +13.5% |
| Liabilities | 1,620.7 | 1,464.6 | +10.7% |
| Equity | 159.4 | 103.4 | +54.2% |
| Capital (Basel) | 258.2 | 159.8 | +61.6% |
| Gross loan portfolio | 827.5 | 666.7 | +24.1% |
| ***Key financial ratios, %*** | | | |
| Basel capital adequacy ratio (CAR) | 23.2% | 14.7% | |
| 90+ NPL ratio (before provisions) | 1.7% | 2.3% | |
| Cost of risk (COR) | 1.9% | 4.6% | |
| Provisioning ratio | 5.3% | 6.0% | |
| Net loans / deposits | 81.7% | 90.9% | |

[1] ROAE disregards the $700 mln perpetual subordinated debt

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

| Income statement | 9M2017, RUB bln | 9M2016, RUB bln | change, % |
|---|---|---|---|
| Net interest income (before provisions) | 31.6 | 31.4 | +0.7% |
| Fee and commission income | 11.6 | 9.5 | +22.6% |
| Net income | 16.1 | 8.3 | +92.7% |
| ***Key financial ratios, %*** | | | |
| Net interest margin (NIM) | 2.8% | 3.6% | |
| Net interest income as percentage of average RWA (NII/ARWA) | 4.3% | 4.6% | |
| Cost-to-income ratio (CTI) | 28.4% | 23.0% | |
| Return on equity (ROAE) | 19.3% | 11.5% | |
| Return on assets (ROAA) | 1.3% | 0.9% | |

The **net income** for 9M2017 increased by almost 2 times yoy to RUB 16.1 bln. This was partly due to a significant improvement of the loan portfolio quality, which resulted in lower provisioning levels. In addition, the net fee income grew by 22.6% to RUB 9.7 bln on the back of active sales of the Bank's fee-generating products.

**The operating income** for the 9 months of 2017 grew by 58.7% yoy to RUB 33.0 bln. As the Bank expands its business, its **operating expense** increased by 20.1% to RUB 12.1 bln, mainly due to the growth of staff costs by 28.0% to 7.3 bln., but the Bank's operational efficiency remained at a high level, as witnessed by the traditionally low **cost-to-income (CTI) ratio (before provisions)**, which was 28.4% in the reporting period.

In the 9 months of 2017, as interest rates declined in the Russian banking market and highly liquid assets represented a significant percentage of the Bank's balance sheet, its **net interest margin** decreased to 2.8%, and the **net interest income as percentage of average RWA** changed slightly to 4.3%.

The **Bank's total assets** grew by 13.5% ytd to RUB 1,780.1 bln, mainly owing to the expansion of the net loan portfolio after provisions by 25.0% to RUB 783.5 bln and deposits in banks and other financial institutions by 11.1% to RUB 727.7 bln.

The **gross loan portfolio** grew by 24.1% ytd to RUB 827.5 bln, owing to the corporate loan portfolio expanding by 29.4% to RUB 732.7 bln mainly due to loans issued to high-quality large caps. The Bank's cautious approach to retail lending led to reduction of its retail loan portfolio by 5.8% ytd to RUB 94.8 bln. The share of corporate loans in the total loan portfolio grew to 88.5% from 84.9% as at end-2016. The ratio of non-performing loans (NPL90+) decreased by 0.6 pp to 1.7%. The improving loan portfolio quality was also evidenced by a reduction in the cost of risk to 1.9% in the reporting period from 4.6% as at end-2016. The NPL90+ coverage ratio increased from 263.3% as at end-2016 to 322.1% as at 9M2017.

The **customer deposits** increased by 39.0% ytd to RUB 958.7 bln, which is 59.2% of the Bank's total liabilities. The ratio of loans after provisions to deposits was 81.7%.

The Bank's **total capital** according to the Basel III standards increased by 61.6% to RUB 258.2 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, and also as a result of inclusion in its Tier 2 capital of two subordinated deposits totalling RUB 22.0 bln in October. The Basel III **capital adequacy ratio** grew from 14.7% as at end-2016 to 23.2% in 3Q2017. The Tier I capital ratio increased from 9.4% to 14.2%.

In October 2017, under the public placement of an additional issue of shares, the Bank raised RUB 14.4 bln of base capital through an SPO on the Moscow Exchange, but this transaction will be shown in its IFRS in future periods.

**Infrastructure development**

As of 30 September 2017, CREDIT BANK OF MOSCOW had 99 offices, 28 stand-alone cash desks, 1,092 ATMs and 6,085 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 Banki.ru as at 3Q2017. 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 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 is included in the CBR`s list of systemically important banks.

The Bank was founded in 1992 and acquired by Mr. Roman Avdeev in 1994. Concern Rossium holds 55.65% of CBM’s shares, the remaining 44.35% 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 23% as at 3Q2017.

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