CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (public joint-stock company)

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CREDIT BANK OF MOSCOW announces its IFRS results for 1Q2016

Key results

- Net income amounted to RUB 1.7 bln ($24.5 mln).
- Net interest margin narrowed from 3.8% for 3M2015 to 3.1% for 3M2016.
- Return on equity and return on assets increased to 7.1% and 0.5% respectively (3M2015: 1.9% and 0.2%; FY2015: 2.1% and 0.2%).
- Assets grew by 12.9% y-t-d to RUB 1,364.0 bln ($20,175.3 mln).
- Gross loan portfolio rose 0.6% to RUB 633.7 bln ($9,373.7 mln).
- Ratio of NPLs (90+ days) to gross loan portfolio amounted to 5.4%.
- Loan loss provisions grew from 5.9% to 6.5% of gross loan portfolio.
- Customer deposits increased by 0.8% to RUB 906.0 bln ($13,401.1 bln).
- Equity increased by 2.5% to RUB 94.7 bln ($1,400.6 mln).
- Basel III capital amounted to RUB 160.9 bln ($2,380.3 mln), with the capital adequacy ratio of 16.0% and Tier I capital ratio of 9.2%.
- Cost-to-income ratio dropped to the all-time low 24.5%.

Key financial results

Balance sheet	**1Q 2016, RUB bln**	**2015, RUB bln**	**change, %**
Assets	1,364.0	1,208.2	12.9
Liabilities	1,269.3	1,115.9	13.8
Equity	94.7	92.3	2.5
Capital (Basel)	160.9	162.6	(1.0)
Gross loan portfolio before provisions	633.7	629.9	0.6
Key financial ratios, %			
Basel capital adequacy ratio (CAR)	16.0%	16.5%	
90+ NPL ratio (before provisions)	5.4%	5.1%	
Loan loss provisions / Gross loans	6.5%	5.9%	
Net loans / deposits	65.4%	66.0%	

Income statement	3M 2016, RUB bln	3M 2015, RUB bln	change, %
Net interest income (before provisions)	9.1	5.0	83.9
Fee and commission income	3.0	1.7	77.2
Net income	1.7	0.3	473.5
Key financial ratios, %			
Net interest margin (NIM)	3.1	3.8	
Cost-to-income ratio (CTI)	24.5	29.3	
Return on equity (ROAE)	7.1	1.9	
Return on assets (ROAA)	0.5	0.2	

Net income for the 3 months of 2016 was RUB 1.7 bln, compared to materially lower RUB 0.3 bln in 1Q2015. The growth of net income was driven by **net interest income** soaring by 83.9% to RUB 9.1 bln, and **net fee and commission income** by 87.9% to RUB 2.5 bln on the back of gradually stabilising business activity in the current year and a significant growth of the Bank's business volumes in the second half of 2015. The fee and commission income were mainly driven by cash collection fees which increased by more than 2 times y-o-y to RUB 0.6 bln as a result of the Bank's strategic acquisition in November 2015 of one of its cash collection competitors NCO INKAKHRAN.

Operating income (before provisions) grew by 73.7% to RUB 12.4 bln y-o-y. **Operating expense** increased by 43.5% to RUB 3.1 bln due to the growth of staff costs to RUB 1.9 bln and some administrative expenses mainly caused by the consolidation of NCO INKAKHRAN. However, the Bank's operational efficiency continued to improve as shown by its CTI ratio reducing to the all-time low 24.5%.

Gross loan portfolio totalled RUB 633.7 bln as at 1Q2016 staying basically at the same level as at end-2015 (+0.6%). The corporate loan portfolio expanded by 1.2% to RUB 516.3 bln, while the retail loan portfolio shrank by 1.9% to RUB 117.4 bln as the Bank tightened its criteria for retail borrowers pursuant to its revised risk management policy. The ratio of non-performing loans (NPL90+) in the total loan portfolio increased slightly from 5.1% to 5.4%. Loan loss provisions grew from 5.9% of the Bank's gross portfolio as at end-2015 to 6.5% as at the end of the reporting quarter while the cost of risk decreased from 5.4% to 4.5% and the NPL90+ coverage ratio increased from 113.7% to 121.8%. The Bank's conservative provisioning policy is intended to mitigate the impact of potential market fluctuations on the future profitability amid the yet-to-be-fully-stabilised macroeconomic environment.

Customer deposits demonstrated stability in 1Q2016 and amounted to RUB 906.0 bln or 71.4% of the Bank's total liabilities. The ratio of loans after provisions to deposits remained relatively low at 65.4% in 1Q2016.

Capital adequacy ratio calculated in accordance with Basel III dropped from 16.5% as at end-2015 to 16.0% as at the first quarter of 2016 due to rouble strengthening and, subsequently, devaluation of FX-nominated subordinated loans. Tier I capital ratio remained at the same level of 9.2% as it was at end-2015.

Infrastructure development

As of 31 March 2016, CREDIT BANK OF MOSCOW had 64 offices, 21 stand-alone cash desks, 946 ATMs and 5,400 payment terminals (31 March 2015: 62, 21, 927 and 5,443 respectively).

Enquiries

CREDIT BANK OF MOSCOW

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For reference

CREDIT BANK OF MOSCOW (CBM) is one of the leading privately owned universal banks in Russia, and focuses on providing banking products and services to corporate customers and individuals in Moscow and the Moscow Region. CBM’s corporate banking business is primarily focused on retail and wholesale trading corporate customers, enabling CBM to capitalize on the resilient Russian consumer market. CBM’s retail business is focused on consumer loans to high quality retail customers, with a particular emphasis on cross-sales of retail products to the employees and clients of its corporate customers.

CBM offers a comprehensive range of banking services, including lending, deposit-taking, cash handling, international settlements, trade finance, guarantees and other products. By leveraging its leading cash handling service and payment terminal network, the Bank is able to monitor the cash flows and payment histories of its customers as well as, in the case of many of its retail customers, their employers, which ensures strong portfolio performance and asset quality.

According to INTERFAX-100, as at 1 April 2016, CBM is one of the top five privately owned Russian banks, measured by total assets. The Bank is currently rated BB with a Negative outlook by Fitch; BB- with a Negative outlook by S&P; and B1 with a Stable outlook by Moody's.

CBM was founded in 1992 and acquired by Mr. Roman Avdeev in 1994. Mr. Avdeev beneficially owns 56.8% of CBM’s shares. The European Bank for Reconstruction and Development, International Finance Corporation (IFC) and RBOF Holding Company I, Ltd. (100% owned by the IFC Russian Bank Capitalization Fund belonging to the same group of companies as the IFC) hold 9.1% of CBM’s shares and are represented on CBM’s Supervisory Board alongside with four independent non-executive directors. The remaining 34.1% of the Bank’s shares are owned by other minority shareholders.

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