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CREDIT BANK OF MOSCOW's IFRS net income for 2018 increased by 31.5% to RUB 27.2 bln

Key results

- Net income increased by 31.5% yoy to RUB 27.2 bln (\$391.9 mln¹).
- Return on equity grew to 19.9% compared to 17.8% one year ago. Return on assets was 1.4% compared to 1.2% as at end-2017.
- Operational efficiency remained at a high level, cost-to-income ratio was 29.8%.
- Assets increased by 13.6% to RUB 2.1 tln (\$30.9 bln).
- Ratio of NPLs (90+ days) to gross loan portfolio fell from 2.4% to 1.6%.
- Cost of risk (COR) decreased from 2.5% as at end-2017 to 1.0% as at end-2018.
- Customer deposits increased by 35.1% ytd to RUB 1.3 tln (\$18.3 bln).
- Basel III capital grew by 8.4% ytd to RUB 297.4 bln (\$4.3 bln).

Key financial results

Balance sheet	2018	2017	change, %
Assets, RUB bln	2,145.9	1,888.2	+13.6%
Gross loan portfolio, RUB bln	740.1	818.8	-9.6%
Liabilities, RUB bln	1,954.8	1,710.6	+14.3%
Customer deposits, RUB bln	1,272.2	941.7	+35.1%
Equity, RUB bln	191.2	177.6	+7.6%
Capital (Basel), RUB bln	297.4	274.4	+8.4%
Key financial ratios, %			
90+ NPL ratio (before provisions)	1.6%	2.4%	
Cost of risk (COR)	1.0%	2.5%	
Provisioning ratio	4.2%	6.1%	
Net loans / deposits	55.7%	81.6%	
Basel capital adequacy ratio (CAR)	21.9%	23.4%	
Income statement	2018	2017	change, %
Net interest income (before provisions), RUB bln	48.4	45.3	+6.9%
Fee income, RUB bln	15.8	15.5	+2.1%
Net income, RUB bln	27.2	20.7	+31.5%
Earnings per share, RUB	0.89	0.79	+12.7%
Key financial ratios, %			
Net interest margin (NIM)	2.6%	2.9%	
Net interest income as percentage of average RWA (NII/ARWA)	4.4%	4.5%	
Cost-to-income ratio (CTI)	29.8%	26.8%	

¹ \$1 = RUB 69.4706, CBR's exchange rate as at 31.12.2018

Return on average equity (ROAE)	19.9%	17.8%	
Return on average assets (ROAA)	1.4%	1.2%	

Net income grew by 31.5% yoy to RUB 27.2 bln. This was driven by the growth of business volumes coupled with a notable improvement of the loan portfolio quality.

Net interest income rose 6.9% to RUB 48.4 bln on the back of development of the Bank's business segments. **Net interest margin** decreased to 2.6% as the percentage of highly liquid assets on the Bank's balance sheet expanded. **Net interest income as percentage of average RWA²** was 4.4%. **Net interest income after provisions** rose 73.1% to RUB 46.2 bln as the Bank's loan portfolio quality improves.

Fee and commission income increased by 2.1% compared to 2017 and reached RUB 15.8 bln. That growth was notably driven by cash operations, including cash handling, that increased by 24.1% to RUB 2.6 bln.

Operating income (before provisions) grew by 4.5% to RUB 65.2 bln. **Operating expense** was RUB 19.4 bln having grown by 15.9% yoy due to the growth of staff costs. Operational efficiency remained at a high level **with the cost-to-income (CTI) ratio** being 29.8%.

The Bank's **total assets** rose 13.6% to RUB 2,145.9 bln through diversification of sources of growth. **Deposits in banks and other financial institutions** grew by 28.8% to RUB 1,088.2 bln, and **securities portfolio** composed of high-grade issuers' bonds expanded by 61.7% to RUB 230.1 bln.

Gross loan portfolio expanded by 5.2% in 4Q2018, however it decreased by 9.6% to RUB 740.1 bln as at end-2018, due to repayments and, to a great extent, settlement of loans to several large corporate borrowers which are impaired but not overdue (stage 3). Retail loan portfolio expanded by 10.1% to RUB 96.6 bln due to an increase in unsecured loans by 14.2% to RUB 72.2 bln. The share of corporate loans in the gross loan portfolio was 86.9%, its retail portion being 13.1%. The ratio of NPL90+ to gross loan portfolio decreased from 2.4% to 1.6% due to repayment of several big problem loans. The improving loan portfolio quality was also evidenced by a reduction in the cost of risk by 1.5 pp to 1.0%. The NPL90+ coverage ratio remained at the 2017YE level of 260.0%.

Customer deposits rose 35.1% to RUB 1,272.2 bln or 65.1% of the Bank's total liabilities. That growth was mainly driven by corporate deposits which increased by 37.9% to RUB 897.1 bln. Retail deposits reached RUB 375.1 bln, having grown by 28.8% in 2018, in particular due to the assignment of Sovetsky Bank's retail deposits in July 2018. Net loans to deposits ratio decreased to 55.7% owing partly to the Bank's conservative approach to lending and partly to the accelerated deposit base growth.

The Basel III **capital adequacy ratio** was 21.9% and the Tier I capital ratio was 14.1% as at end-2018. The Bank's total capital according to the Basel III standards increased by 8.4% to RUB 297.4 bln, mostly due to its net income.

Capital markets activity

In February 2018, the Bank placed a senior 5-year USD 500 mln 5.55% Eurobond issue.

In July 2018, the Bank issued RUB 5 bln perpetual subordinated bonds series 15 with the proceeds qualified as Tier I capital. The interest rate for the first 12 coupon periods is 12%.

In October 2018, in order to optimise its capital structure, the Bank partially bought back USD 70 mln in aggregate of its USD 600,000,000 7.500% subordinated loan participation notes due 2027 and USD 700,000,000 8.875% subordinated perpetual callable loan participation notes.

In February 2019, the Bank placed its debut euro-nominated senior 5-year EUR 500 mln 5.15% Eurobond issue.

² The ratio of net interest income to average risk-weighted assets classified into banking and trading books

Enquiries

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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 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 January 2019. 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 stable outlook by ACRA, 'ruA-' with stable outlook by Expert RA. 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 18%.

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