

18 November 2021, Moscow

## MKB's IFRS net income for the first nine months of 2021 is RUB 24.8 bln, +45.2% yoy

### Key Results

- Net income grew by 45.2% yoy to RUB 24.8 bln.
- Return on equity<sup>1</sup> and return on assets rose to 16.0% and 1.1% respectively (9M2020: 13.1% and 0.8%).
- Net interest income grew by 34.1% yoy to RUB 57.1 bln.
- Net interest margin was 2.6% compared to 2.2% for 9M2020.
- Net interest income as percentage of average RWA (NII/RWA) grew by 0.9 pp to 4.8%.
- Net fee and commission income rose by 83.0% yoy to RUB 14.0 bln.
- Operating income (before provisions) grew by 12.2% to RUB 59.0 bln.
- Cost-to-income (CTI) ratio remained low at 36.1%.
- Total assets grew by 12.7% to RUB 3,285.9 bln.
- Gross loan portfolio expanded by 15.8% ytd to RUB 1,227.0 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio fell from 3.1% as at end-2020 to 2.0%.
- Cost of risk (COR) reduced by 1.1 pp yoy to 1.0%.
- Customer accounts and deposits increased by 11.6% ytd to RUB 1,939.1 bln.
- Basel III capital grew by 6.7% ytd to RUB 354.6 bln.
- Tier 1 Capital ratio increased by 0.5 pp to 12.8%.

### Key Financial Results

Income statement	9M 2021	9M 2020	change, %
Net interest income (before provisions), RUB bln	57.1	42.5	+34.1%
Net fee and commission income, RUB bln	14.0	7.6	+83.0%
Net income, RUB bln	24.8	17.1	+45.2%
Earnings per share, RUB	0.71	0.49	+44.9%
<b>Key financial ratios, %</b>			
Net interest margin (NIM)	2.6%	2.2%	
Net interest income as percentage of average RWA (NII/ARWA)	4.8%	3.9%	
Cost-to-income ratio (CTI)	36.1%	29.9%	
Return on equity (ROAE)	16.0%	13.1%	
Return on assets (ROAA)	1.1%	0.8%	
Cost of risk (COR)	1.0%	2.1%	

<sup>1</sup> ROAE disregards the RUB 38.2 bln perpetual subordinated debt.

<b>Balance sheet</b>	<b>30 September 2021</b>	<b>31 December 2020</b>	<b>change, %</b>
Assets, RUB bln	3,285.9	2,916.5	+12.7%
Gross loan portfolio, RUB bln	1,227.0	1,059.1	+15.8%
Gross corporate loan portfolio, RUB bln	1,070.8	925.8	+15.7%
Gross retail loan portfolio, RUB bln	156.1	133.3	+17.1%
Liabilities, RUB bln	3,023.2	2,682.0	+12.7%
Corporate deposits, RUB bln	1,398.4	1,236.0	+13.1%
Retail deposits, RUB bln	540.7	501.5	+7.8%
Debt securities issued	281.6	171.5	+64.2%
Equity, RUB bln	262.7	234.5	+12.0%
<b>Key financial ratios, %</b>			
Percentage of impaired loans (stage 2 and 3) in loan portfolio (at amortised cost <sup>2</sup> , before provisions)	4.8%	7.4%	
90+ NPL ratio (before provisions)	2.0%	3.1%	
Provisioning rate (for loan portfolio at amortised cost)	4.0%	5.1%	
Net loans / deposits	60.9%	58.1%	
Core Tier 1 capital adequacy ratio (Basel III )	12.8%	12.3%	

**Net income** for the nine months of 2021 was RUB 24.8 bln, up by 45.2% yoy. This was mainly driven by the growing loan portfolio profitability without compromising the performing assets' quality.

The growth of net income allowed the **return on equity (ROAE)** and **return on assets (ROAA)** to rise by 2.9 pp and 0.3 pp to 16.0% and 1.1%, respectively (20.4% and 1.4% in 3Q2021).

**Net interest income** was RUB 57.1 bln (of which RUB 21.8 bln for 3Q2021), having grown by 34.1% yoy. This was driven by the growing volume of performing assets and rising rates on the rouble portion of the loan portfolio.

**Net interest income as percentage of average RWA (NII/RWA)** grew by 0.9 pp ytd to 4.8% (5.1% in 3Q2021). **Net interest margin** widened by 0.4 pp yoy to 2.6% (2.9% in 3Q2021) as yields on assets grew faster than the cost of liabilities in the context of the key rate increases. Interest income rose by 11.6% to RUB 130.3 bln, and interest expense reduced by 1.4% to RUB 73.2 bln.

**Provisioning charges for the loan portfolio measured at amortised cost and revaluation of loans measured at fair value** reduced by 39.7% yoy to RUB 8.6 bln due to a decrease in the macroeconomic adjustment and the loan portfolio expansion fuelled by high-quality borrowers. Thus, the rising yields on performing assets coupled with lesser provisioning charges allowed **net interest income after provisions** to soar by 97.3% to RUB 52.7 bln.

**Net fee and commission income** for 9M2021 was RUB 14.0 bln having increased by 83.0% yoy, mainly because financial services fees and brokerage commissions grew to RUB 5.1 bln. This growth was fuelled by the active development of transactional business, and by the recovering business activity in the current year. In particular, settlement and wire transfer fees and insurance contracts processing fees rose by RUB 1.3 bln in total, due to the development of the relevant franchises and to the consolidation of Koltso Urala's business. Guarantee and letter of credit issuance fees remain an essential source of fee and commission income, having risen by 14.0% to RUB 3.9 bln.

**Operating income** (before provisions) rose by 12.2% yoy to RUB 59.0 bln. **Operating expense** rose by 35.5% to RUB 21.3 bln as the staff costs grew by 39.1% to RUB 14.8 bln due to an increase in the headcount after the integration of the assets acquired in 1Q2021. Administrative expenses also increased by 39.0% to RUB 5.1 bln driven by higher property maintenance expenses, in particular due to expansion of Inkakhran's business, and the growth of IT expenses. As at 9M2021, the Bank maintains its operational efficiency at the long-term target level with **cost-to-income (CTI) ratio** of 36.1%.

<sup>2</sup> Loans and advances to customers at amortised cost.

The Bank's **total assets** increased by 12.7% ytd to RUB 3.3 trln driven primarily by the net loan portfolio expanding by 17.0% to RUB 1,180.4 bln, and by correspondent balances with CBR rising to RUB 167.1 bln.

**Gross loan portfolio** rose by 15.8% ytd to RUB 1,227.0 bln. It had a 87.3% share of corporate loans and a 12.7% share of retail loans. The corporate loan portfolio amounted to RUB 1,070.8 bln demonstrating a 15.7% growth in the reporting period (17.7% net of currency revaluation). The retail loan portfolio expanded by 17.1% ytd to RUB 156.1 bln mostly driven by continuing growth of mortgage lending and consolidation with Koltso Urala bank. High household mortgage demand, the Bank's cooperation with the largest developers, and its participation in state subsidised lending programmes boosted the mortgage portfolio growth by 37.8% ytd to RUB 53.6 bln.

**Overall loan portfolio quality** stays at a high level: the share of non-performing loans (NPL90+) in the gross loan portfolio declined by 1.1 pp to 2.0%, the share of second and third basket loans decreased by 2.6 pp to 4.8%. The NPL90+ coverage ratio grew from 154.5% to 187.9%. The high-quality growth of the loan portfolio and revision of macroeconomic adjustments led to a decrease in the cost of risk from 2.1% for 9M2020 to 1.0% for 9M2021. The cost of risk increased to 1.6% in 3Q2021 due to extra provisioning for several large second and third basket customers, as well as for purchased and originated credit-impaired (POCI) loans.

**Customer deposits** stood at RUB 1,939.1 bln as at 9M2021 or 64.1% of the Bank's total liabilities. Corporate deposits increased by 13.1% (+14.4% net of currency revaluation) to RUB 1,398.4 bln due to the growth of both current accounts and term deposits. With the rising key rate and gradual repricing of deposit base, retail deposits grew by 7.8% ytd to RUB 540.7 bln. The ratio of net loans to deposits increased to 60.9% as at the end of 3Q2021.

**Debt securities issued** grew by 64.2% to RUB 281.6 bln after EUR 600 mln and USD 500 mln senior Eurobonds were issued in January and September 2021.

**Total capital** calculated in accordance with Basel III grew by 6.7% ytd to RUB 354.6 bln driven by retained earnings and an SPO on Moscow Exchange in 2Q2021. **Risk-weighted assets** increased by 18.0% to RUB 1,836.7 bln as a result of the loan portfolio expansion. **The core Tier 1 / Tier 1 / total capital adequacy ratios** were 12.8% / 14.9% / 19.3%. USD 350 mln perpetual subordinated Eurobonds placed in October 2021 will be included in the additional Tier 1 capital in the fourth quarter of the current year.

## 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 3.6 bln and total assets of over USD 45.2 bln as of 9m 2021<sup>3</sup>.

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 2.0% and NPL coverage of 187.9% as of 9m 2021.

The Bank was ranked as a top-2 non-state bank by total assets in INTERFAX-100 as at 1 October 2021. MKB is currently rated 'Ba3' / 'BB' / 'BB' by Moody's / Fitch / S&P. MKB also has ESG rating 'A[esg]' from Rating-Agentur Expert RA GmbH.

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<sup>3</sup> MKB total assets and equity were converted at CBR USD/RUB exchange rate of 72.7608 as at 30 September 2021.

The Bank is publicly traded on Moscow Exchange since June 2015 with a free-float of 21%. MKB shares are included in MOEX Russia Index, RTS Index, MSCI EM Small Cap Index and FTSE Global Equity Index series.

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/>.