



# Webcast and Conference call 1Q2019 financial results

2019

Vladimir Chubar  
CEO, Member of the  
Supervisory Board

Eric de Beauchamp  
Senior Vice President, IR

MKB.RU



**CREDIT BANK  
OF MOSCOW**

# Financial highlights

## Key metrics of financial performance

### Capital Ratio strengthening

**CAR ratio** increased to 23.4%

**Tier 1** increased to 15.1%

### Active player on capital markets

1Q 2019

Total Debt Securities issued increased by 60% in the 1Q2019

April 2019

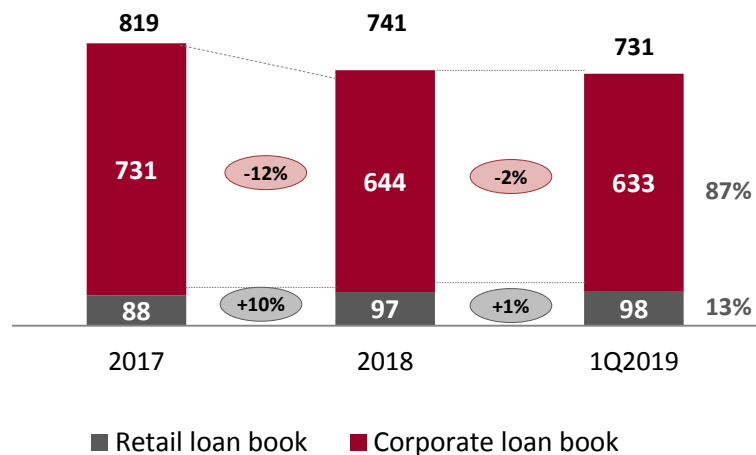
US\$400m syndicated loan facility, arranged by a syndicate of Eur., US, Asian, and ME banks

Income statement (RUB bln)	3m2019	3m2018	Change, %
Interest income	35.2	34.9	▲ + 1.0%
Net interest income	9.6	13.0	▼ - 25.8%
Profit for the period	0.2	2.3	▼ - 92.1%
NIM	1.9%	3.0%	▼ - 1.1 p.p.
RoAE	0.7%	6.9%	▼ - 6.2 p.p.
Balance sheet (RUB bln)	1Q2019	2018	Change, %
Total assets	2,118.7	2,145.9	▼ -1.3%
Loans to customers (gross)	731.0	740.1	▼ -1.2%
Total equity	191.6	191.2	▲ + 0.2%
Due to individuals	415	375	▲ + 10.6%
Debt securities issued	168.0	105.3	▲ + 59.6%
NPL 90+ / Gross loans	2.5%	1.6%	▲ + 0.9 p.p.
Total provisions / NPL	189.5%	260.0%	▼ - 70.5 p.p.
Loan to deposit ratio	60.9%	55.7%	▲ - 5.2 p.p.
Tier 1 ratio	15.1%	14.1%	▲ + 1.0 p.p.
Total CAR	23.4%	21.9%	▲ +1.5 p.p.

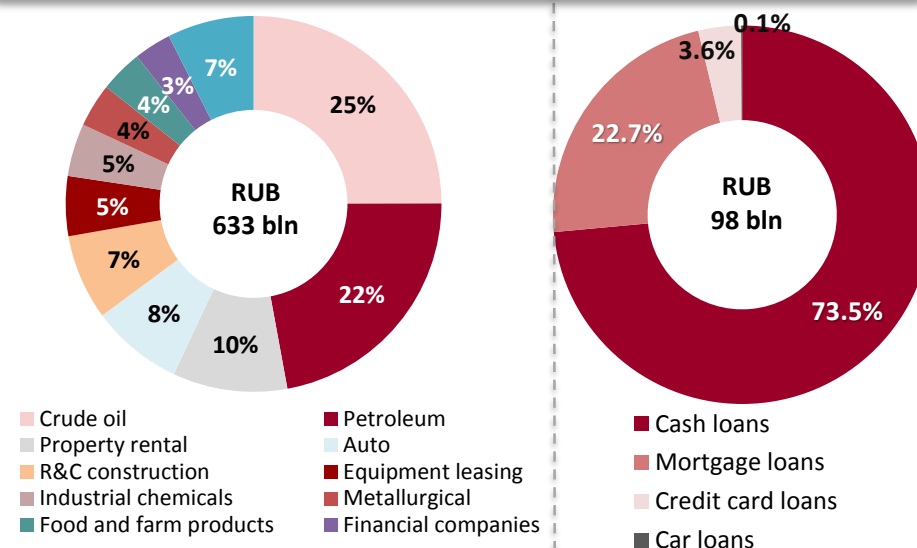
# Business highlights: careful customer selection

## Loan book (gross) dynamics

(RUB bln)



## Corporate and retail loan book breakdown (1Q2019)



## Strategic Pillars

### Corporate business

- ❖ Focus on increasing contribution of **larger corporates**
- ❖ **Well-diversified** loan portfolio
- ❖ Current focus on **less-risky segments** such as oil and chemicals

### Retail business

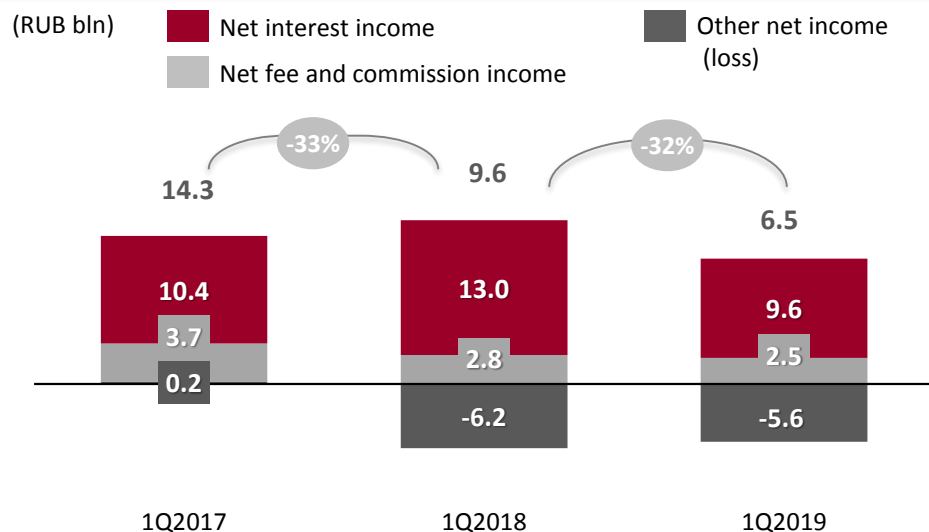
- ❖ Target market segments are **cash loans** and **mortgage loans**
- ❖ **Tight individual customer selection** for healthy portfolio quality
- ❖ Differentiated risk appetite based on **customer segmentation**

### Investment banking

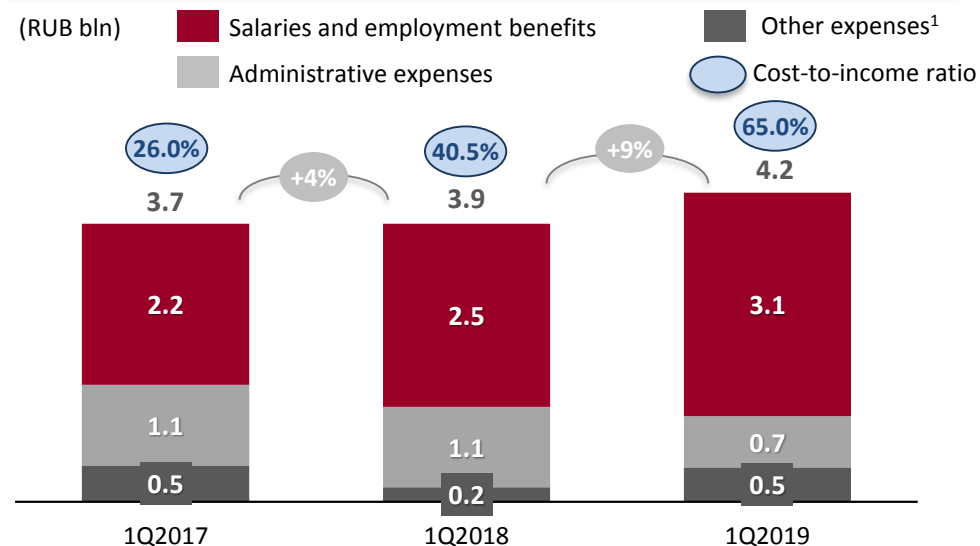
- ❖ New **growth driver**, both in terms of business volumes and profitability
- ❖ Development of new investment products will bring **substantial synergies** to our corporate and retail business

# Revenues

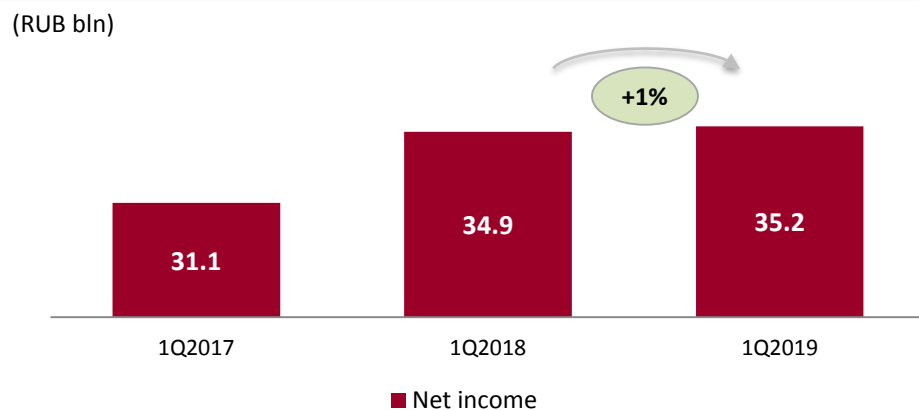
## Operating income



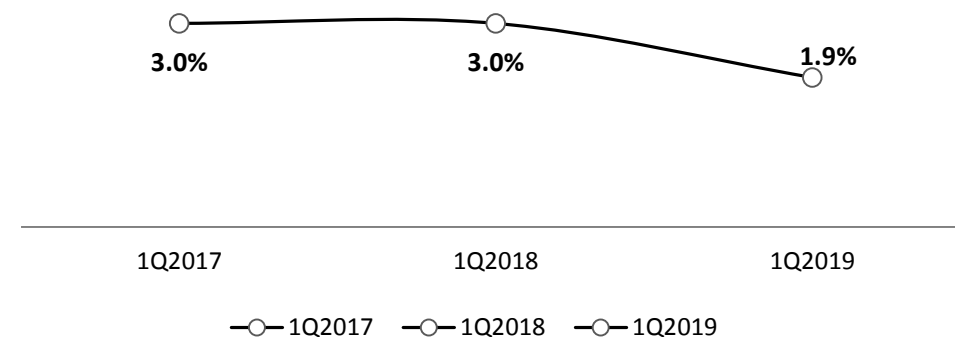
## Operating expenses



## Interest Income



## Net interest margin analysis



1) Other expenses consist of depreciation of property and equipment

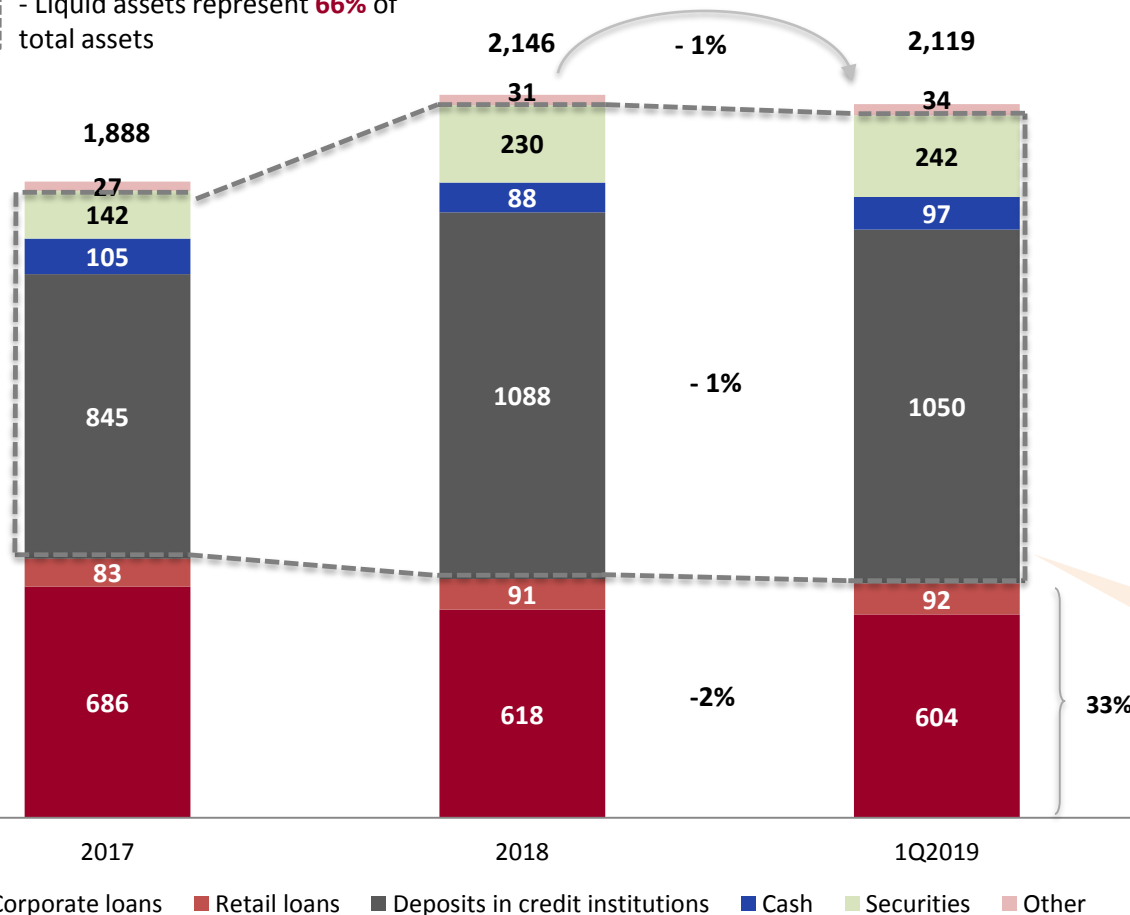
2) ARWA is a sum of risk-weighted assets classified into the banking book and trading book, averaged quarterly

# Emphasis on highly liquid assets

## Asset structure

(RUB bln)

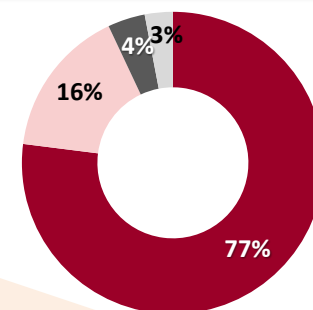
- Liquid assets represent **66%** of total assets



## High quality securities portfolio

- Investment grade securities rated **BBB-** and above accounted for **76%** of total securities portfolio
- The **debt securities portfolio** is used as a liquidity buffer with **62%** of the securities portfolio qualified in the **Lombard list** of the Central Bank of the Russian Federation
- Additional unused liquidity sources amounted to **c. RUB 700 bln** as of 1 May 2019

## Unused liquidity sources structure



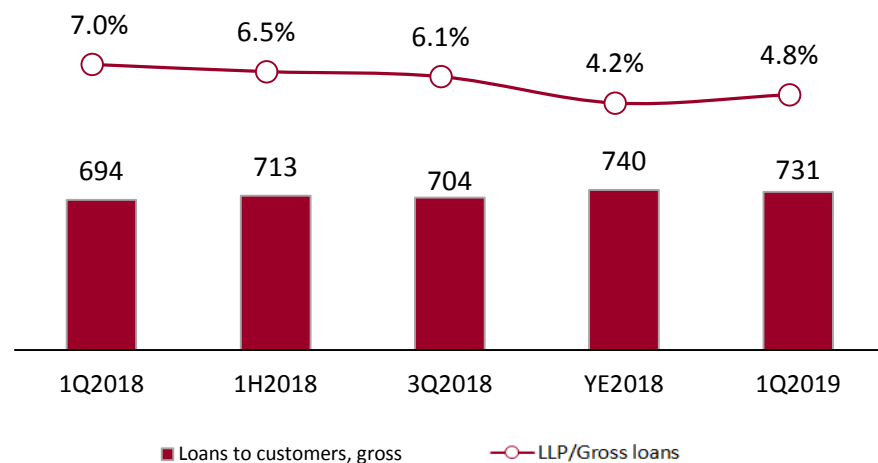
- Receivables under reverse sale and repurchase agreements included in cash and in due from credit and other financial institutions are **RUB 1,042 bln** or **99%** of total gross due from credit and other financial institutions.

1) Cash includes cash on hand, correspondent account with the CBR and nostro accounts with other banks

# Loan portfolio quality

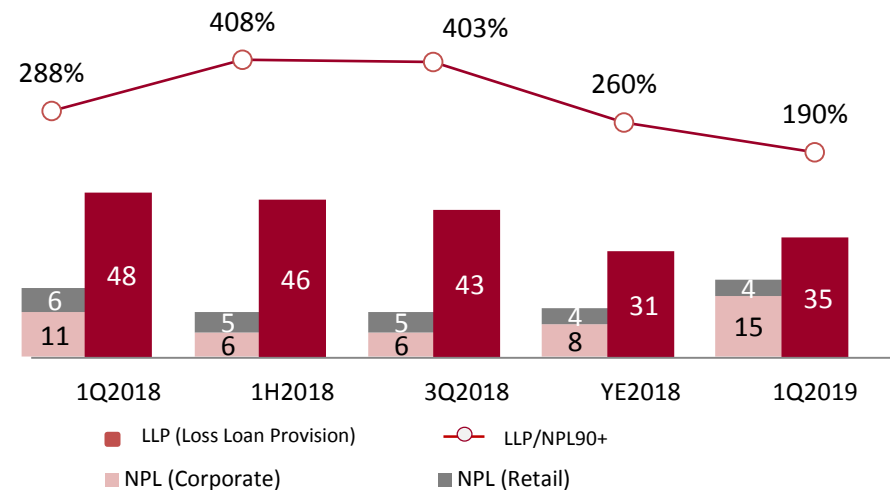
## Gross loan portfolio coverage by impairment allowance

(RUB bln)

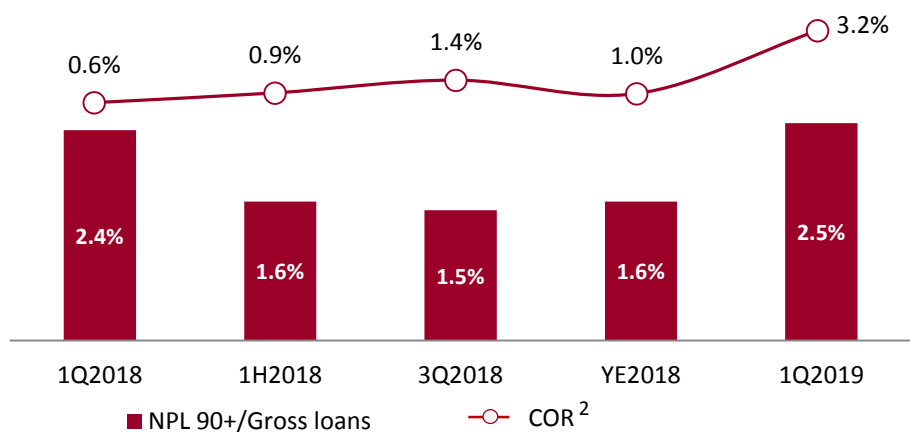


## LLP/NPL<sup>1</sup> coverage

(RUB bln)

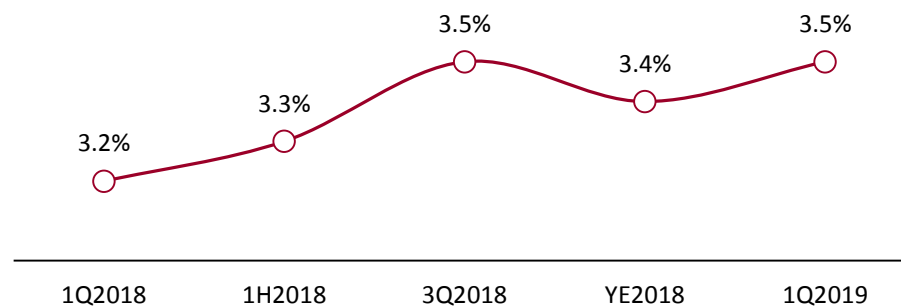


## Cost of risk and NPL dynamics



## Related party lending concentration

(% of Gross loans)



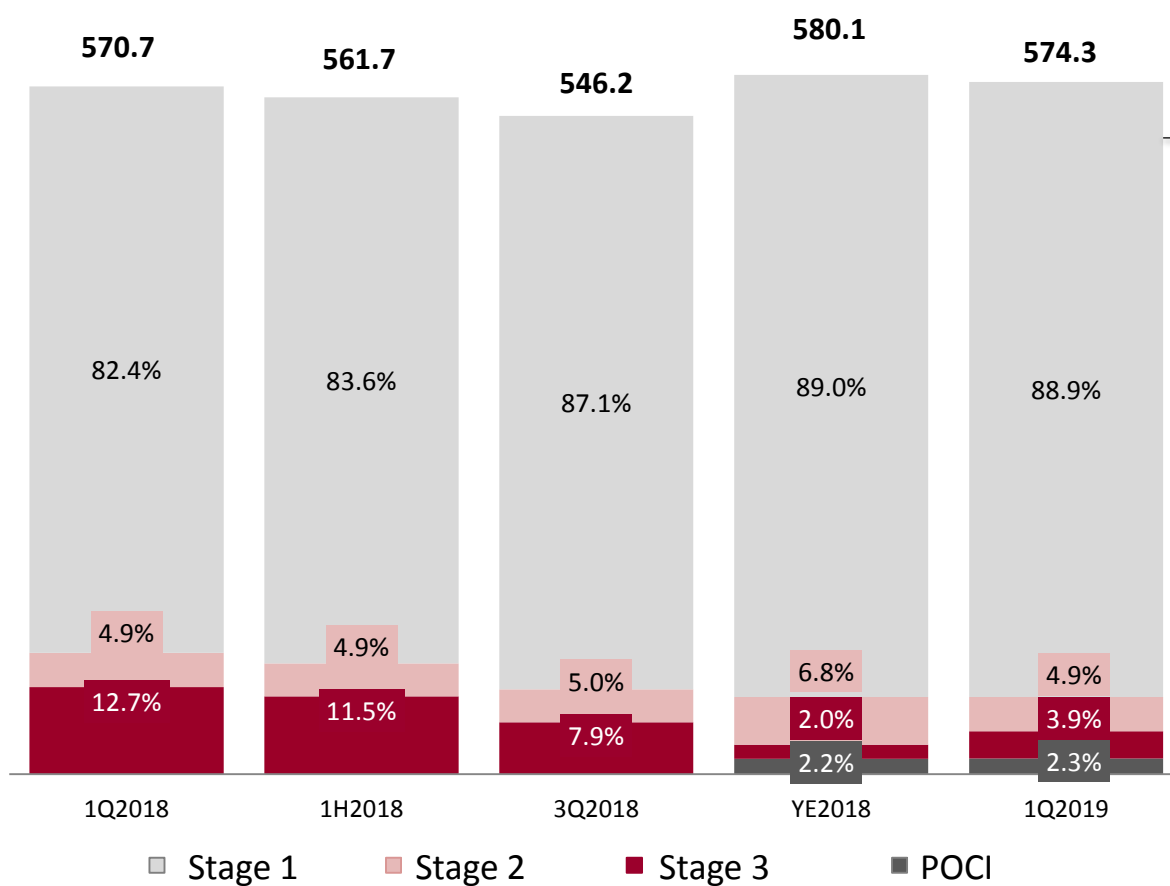
1) NPLs are loans with payments that are overdue >90 days

2) Cost of risk ratio is calculated as impairment allowance net charge (annualised) to average loan portfolio for the period

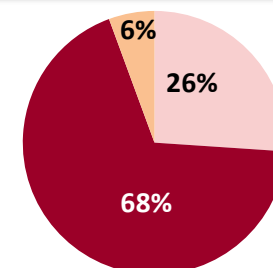
# Loan portfolio classification in accordance with IFRS9

## Total gross corporate loan portfolio at amortised cost

(RUB bln)



Stage 1



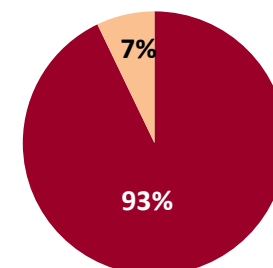
Credit loss allowance (RUB billion)

9.7

Coverage

1.9%

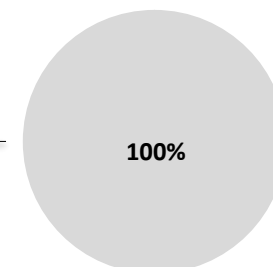
Stage 2



2.5

8.8%

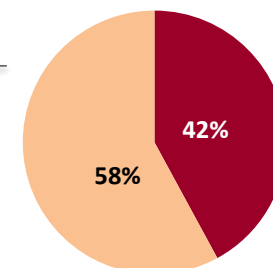
Stage 3



17.7

78.9%

POCI<sup>1</sup>



-0.5

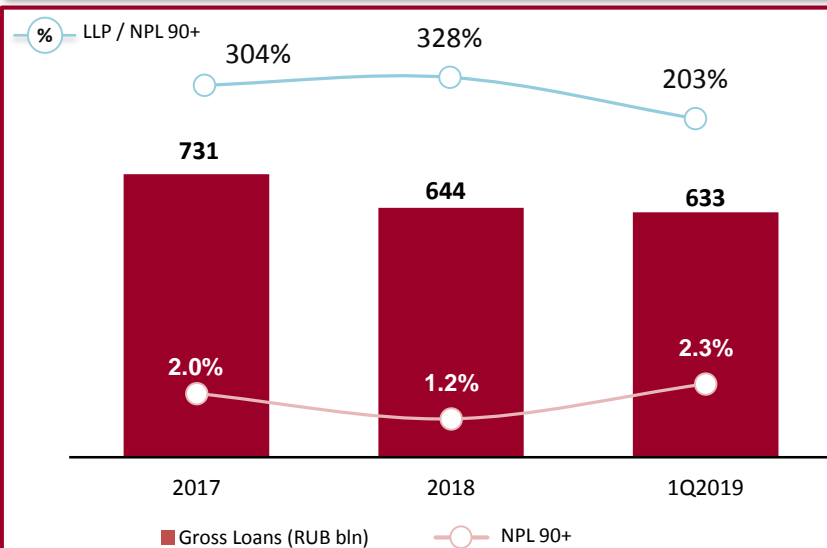
-3.5%

Low credit risk   Moderate credit risk  
High credit risk   Distressed assets

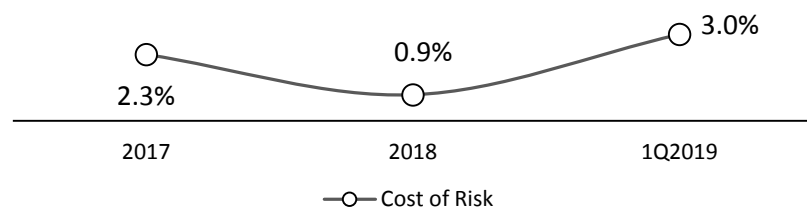
1) POCI – purchased or originated credit impaired

# NPL coverage by provisions maintained at a healthy level

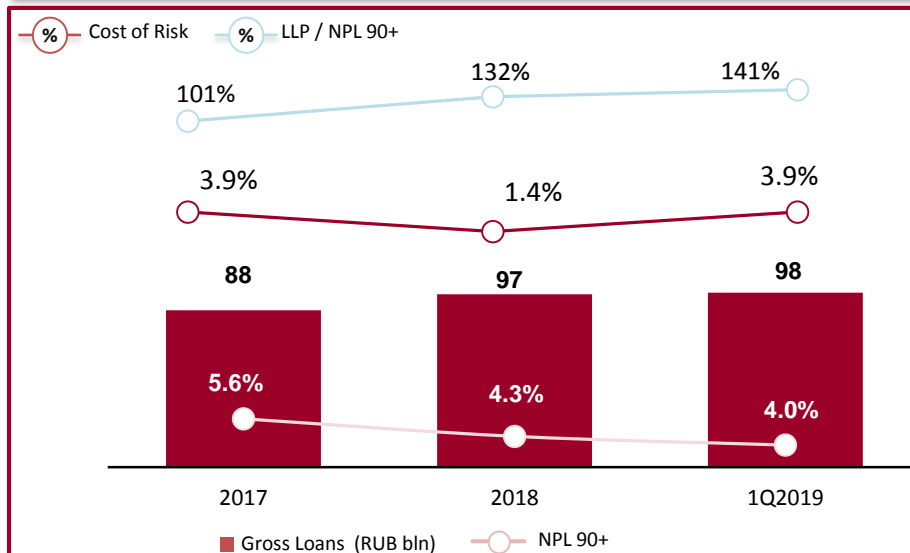
## Corporate Loan Book



## Corporate Cost of Risk

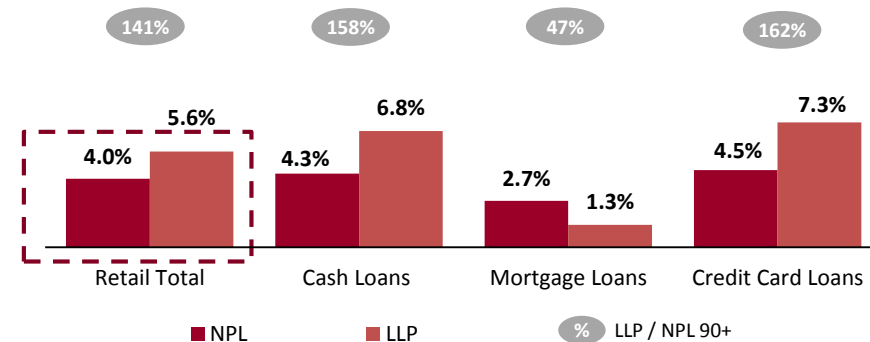


## Retail Loan Book



## Retail NPLs and LLPs, by product

(1Q2019, % of gross loans)

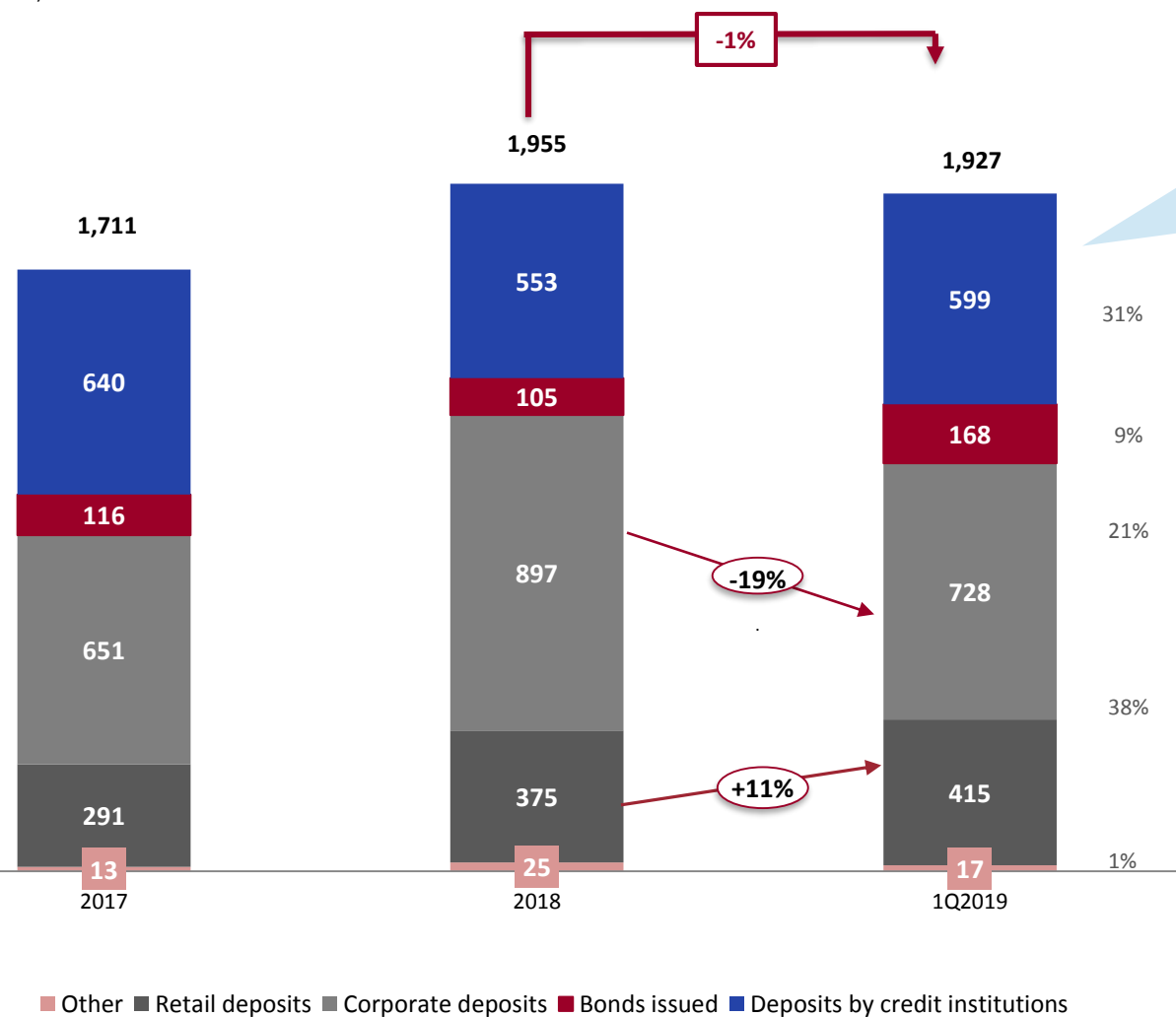




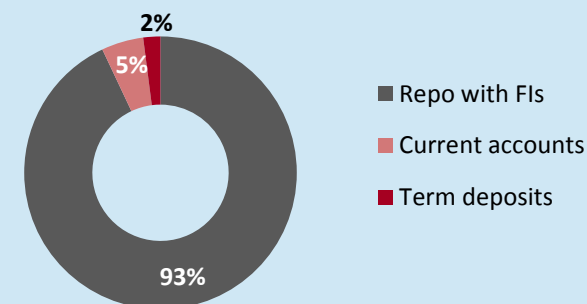
# Customer deposits are the main source of funding

## Liabilities breakdown

(RUB bln)

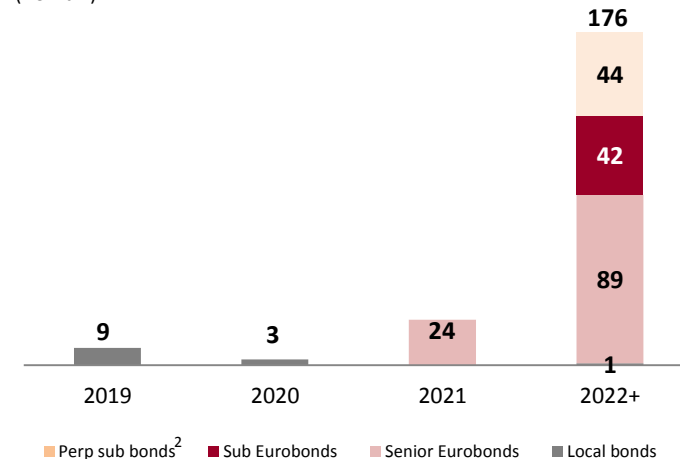


## Deposits by credit institutions



## Debt securities repayment schedule<sup>1</sup>

(RUB bln)



Source: IFRS financial statements

1) Debt securities repayment schedule as of 31.12.2018

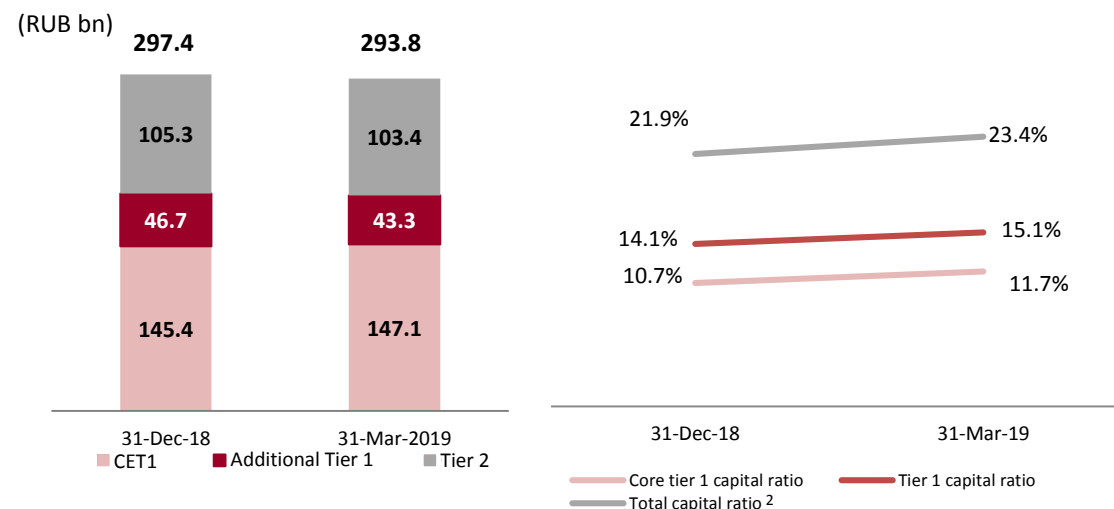
2) Perpetual subordinated Tier I bond issues are included in Total equity

# Sound capital position

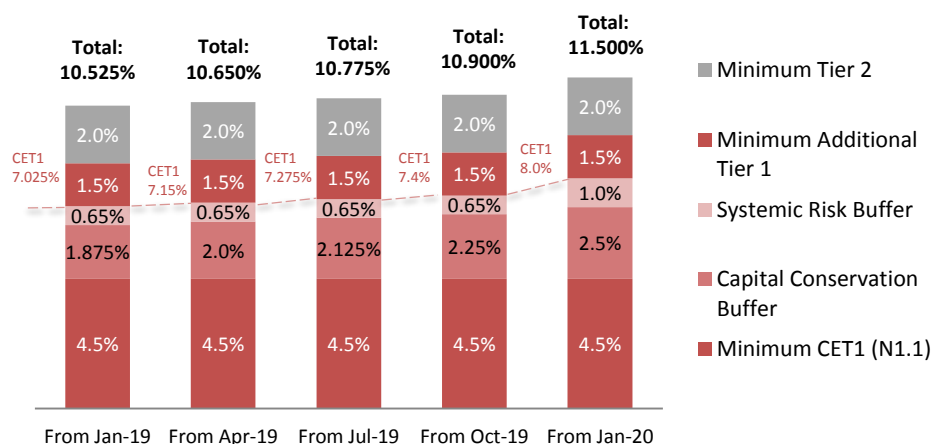
## Capital management

- **July 2018:** RUB 5 bn perpetual subordinated Tier I domestic bond issuance
- **August 2018:** subordinated Eurobond issues were tendered in the total amount of USD 50 mln: USD 21.3 mln of Tier 2 LPN and USD 28.7 mln of T1 perpetual LPN
- **October 2018:** Capital structure was optimized in line with partial cancelling of two subordinated Eurobond issues (Tier 2 LPN due 2027 and Tier 1 perpetual LPN) in the total amount of USD 70 mln

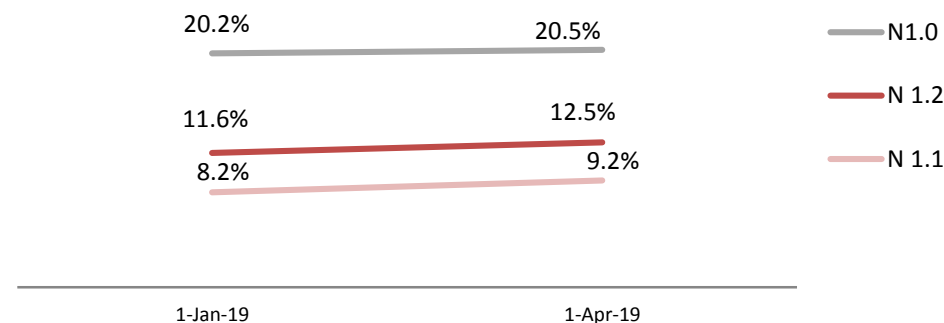
## IFRS capital adequacy (Basel III)



## RAS capital adequacy requirements<sup>1</sup>



## RAS capital adequacy ratios<sup>1</sup>



1) Calculated on the basis of the RAS non-consolidated reporting

2) N1.1 requirement + capital conservation buffer + systemic risk buffer. The buffers have effect on payment of dividends only