



# Webcast and Conference call FY 2016 financial results

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MKB.RU



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# Financial highlights

## Key metrics of financial performance

✔ **Profit** for the period increased significantly based on qualitative business growth

✔ Outstanding operating efficiency with a **CTI ratio of 24.6%**

✔ **Loan portfolio quality improved:**  
**NPL** ratio decreased to 2.3%  
**Cost of risk** decreased to 4.6%

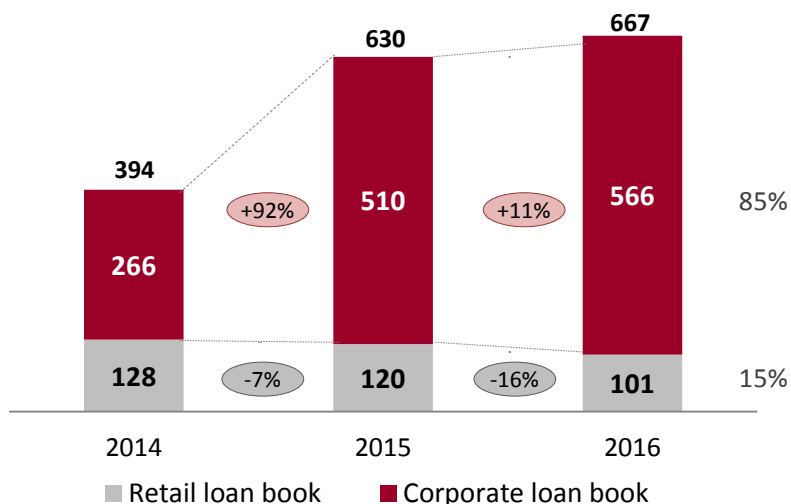
✔ Strong capital position

Income statement (RUB bln)	2016	2015	Change, %
Net interest income	40.3	29.3	37.6%
Net fee and commission income	11.1	7.6	46.2%
Profit for the period	10.9	1.5	620.4%
NIM	3.3%	3.9%	-0.6 p.p.
RoAE	11.1%	2.1%	+9.0 p.p.
Cost / Income	24.6%	26.4%	-1.8 p.p.
Balance sheet (RUB bln)	2016	2015	Change, %
Total assets	1,568.0	1,208.2	30%
Loans to customers (gross)	666.7	629.9	5.8%
Total equity	103.4	92.3	12.0%
NPL 90+ / Gross loans	2.3%	5.1%	-2.8 p.p.
Total provisions / NPL	263.3%	113.7%	+149.6 p.p.
Cost of risk	4.6%	5.4%	-0.8 p.p.
Tier 1 Capital Ratio	9.4%	9.2%	+0.2 p.p.
Total CAR	14.7%	16.5%	-1.8 p.p.

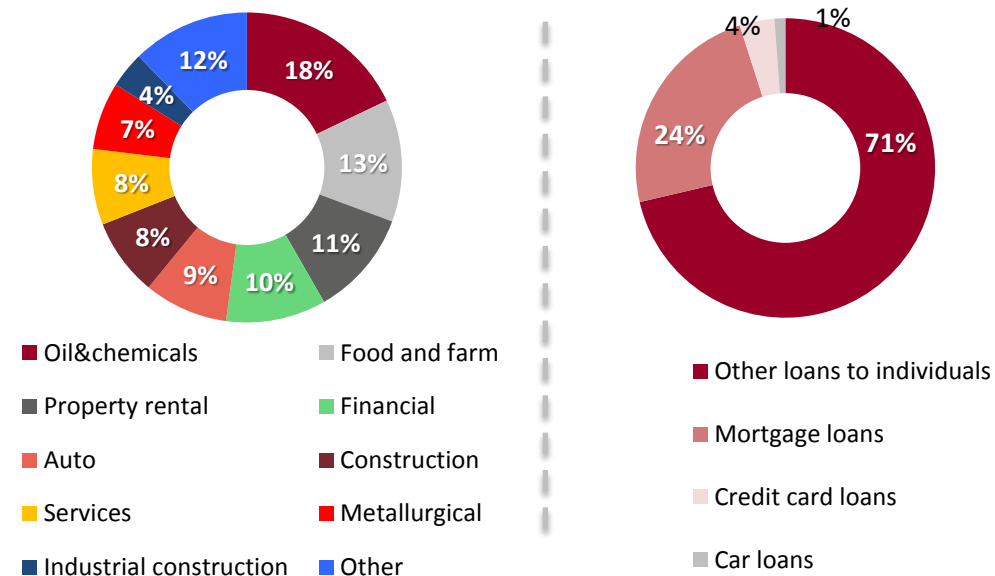
# Business highlights: corporate lending remains a key driver for growth

Loan book (gross) dynamics

(RUB bln)



Corporate and retail loan book breakdown (FY2016)



## Strategic Pillars

### Corporate lending

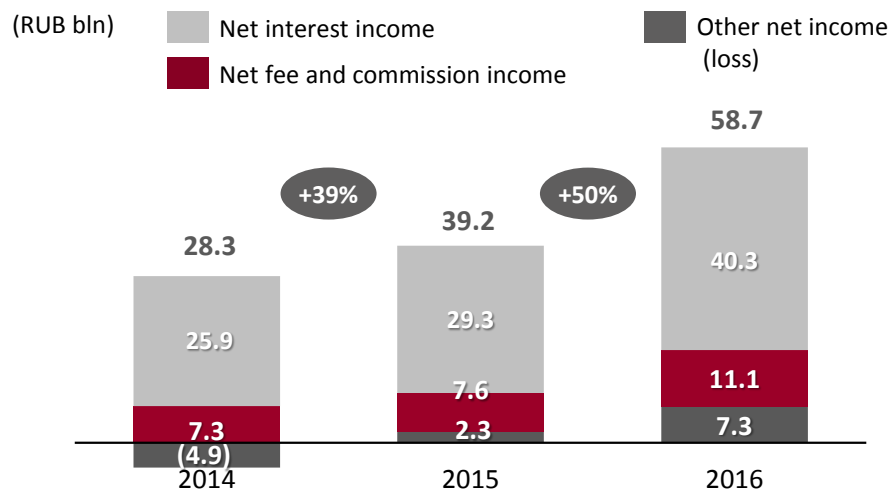
- ❖ Focus on increasing contribution of **larger corporates**
- ❖ **Well-diversified** loan portfolio
- ❖ Current focus on **less-risky segments**: oil and chemicals, food and farm

### Retail lending

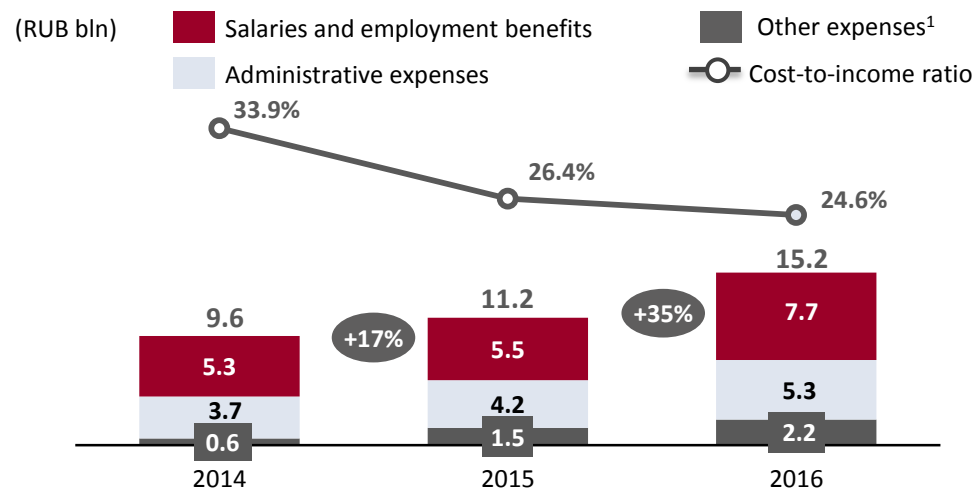
- ❖ Target market segments are **consumer loans** and **mortgage loans**
- ❖ **Tight individual customer selection** for healthy portfolio quality
- ❖ Differentiated risk appetite based on **customer segmentation**

## Constantly improving efficiency: CTI dropped to 24.6%

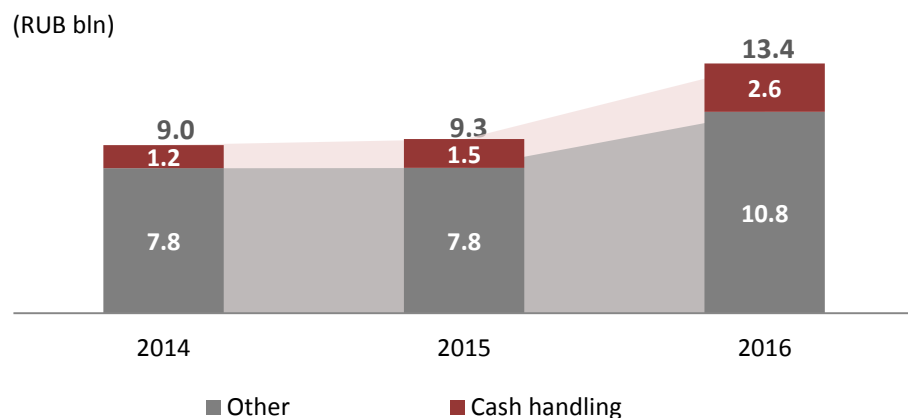
### Operating income



### Operating expenses



### Fee and commission income structure



### Key Developments

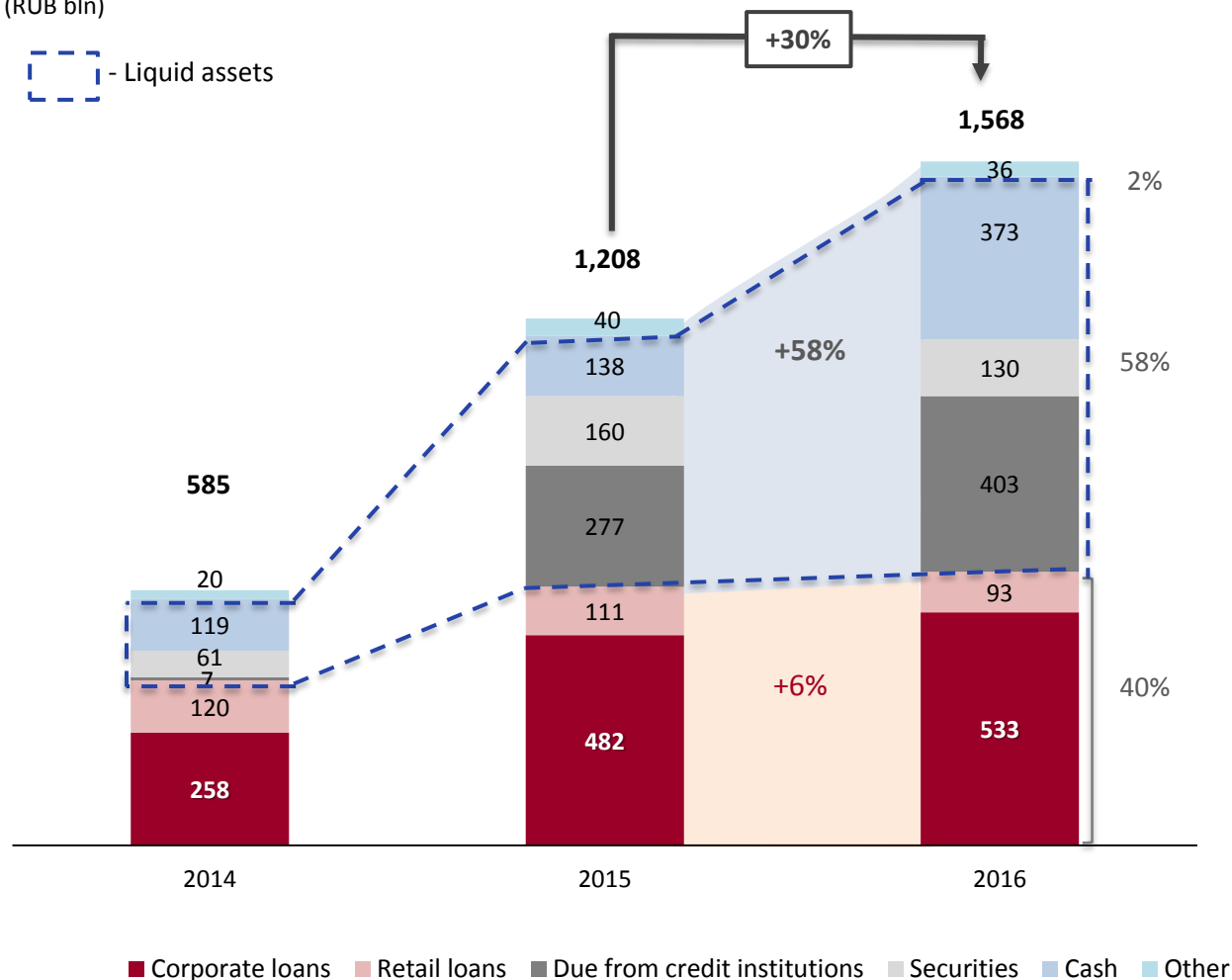
- ✔ NIM decreased to 3.3% in 2016 due to higher proportion of liquid assets in line with the Bank's strategy (3.9% for YE2015)
- ✔ RoAA and RoAE increased by YE2016 to 0.8% and 11.1%, respectively (0.2% and 2.1% as of YE2015)
- ✔ The largest component of fee and commission income in 2016 is cash handling, which constitutes RUB 2.6 bln as of YE2016 (increased by 107.5% compared to YE2014)
- ✔ CTI of 24.6% remains one of the lowest among peers

# Emphasis on highly liquid assets

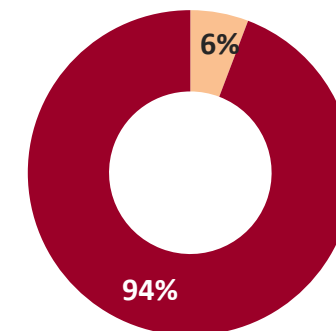
Asset structure

(RUB bln)

- Liquid assets



High quality securities portfolio



■ Government and municipal bonds  
■ Corporate bonds

■ The **securities portfolio** is used as a liquidity buffer with **74%** of the portfolio qualified in the **Lombard list** of the Central Bank of Russian Federation

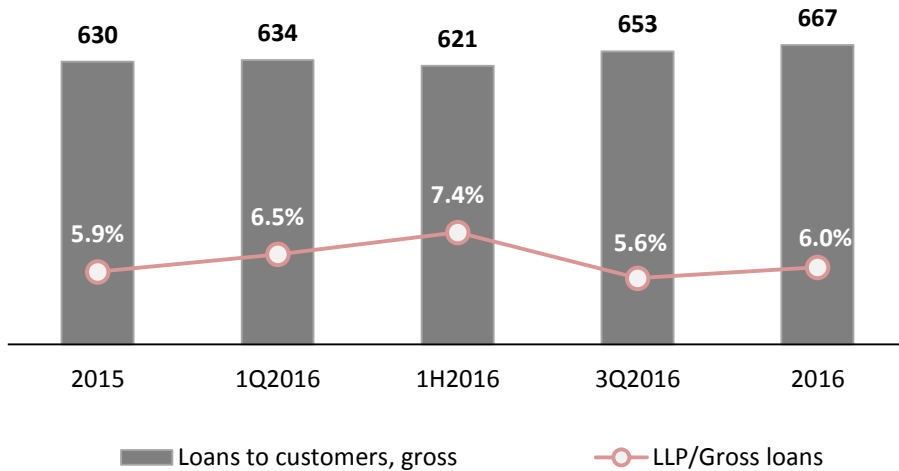
■ **Liquid assets** represent **58%** of total assets

■ Additional unused liquidity sources from the CBR amounted to **RUB 406 bln** as of 31 December 2016

# Loan portfolio quality is improving

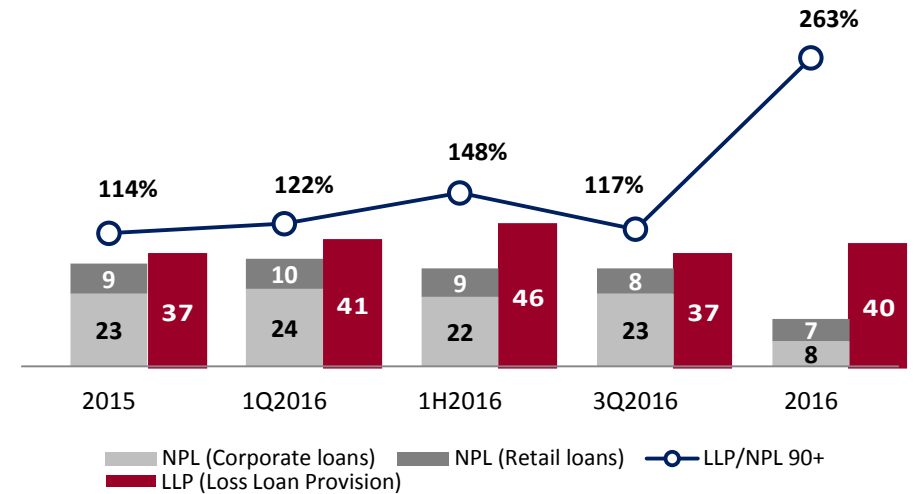
## Gross loan portfolio coverage by impairment allowance

(RUB bln)

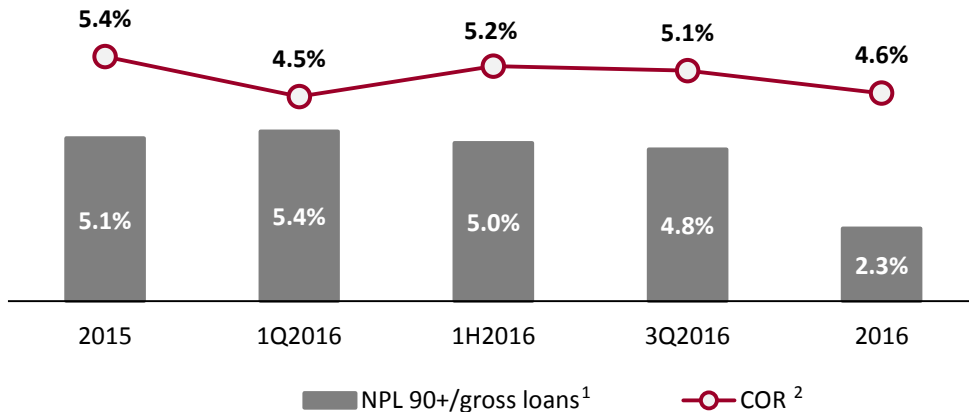


## NPL<sup>1</sup> and provisioning dynamics

(RUB bln)

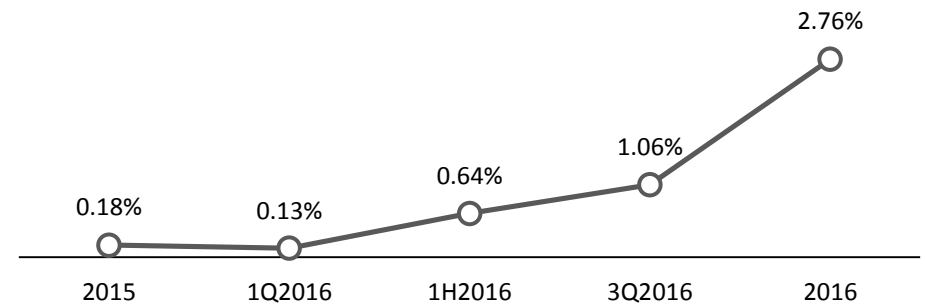


## Cost of risk and NPL dynamics



## Related party lending concentration

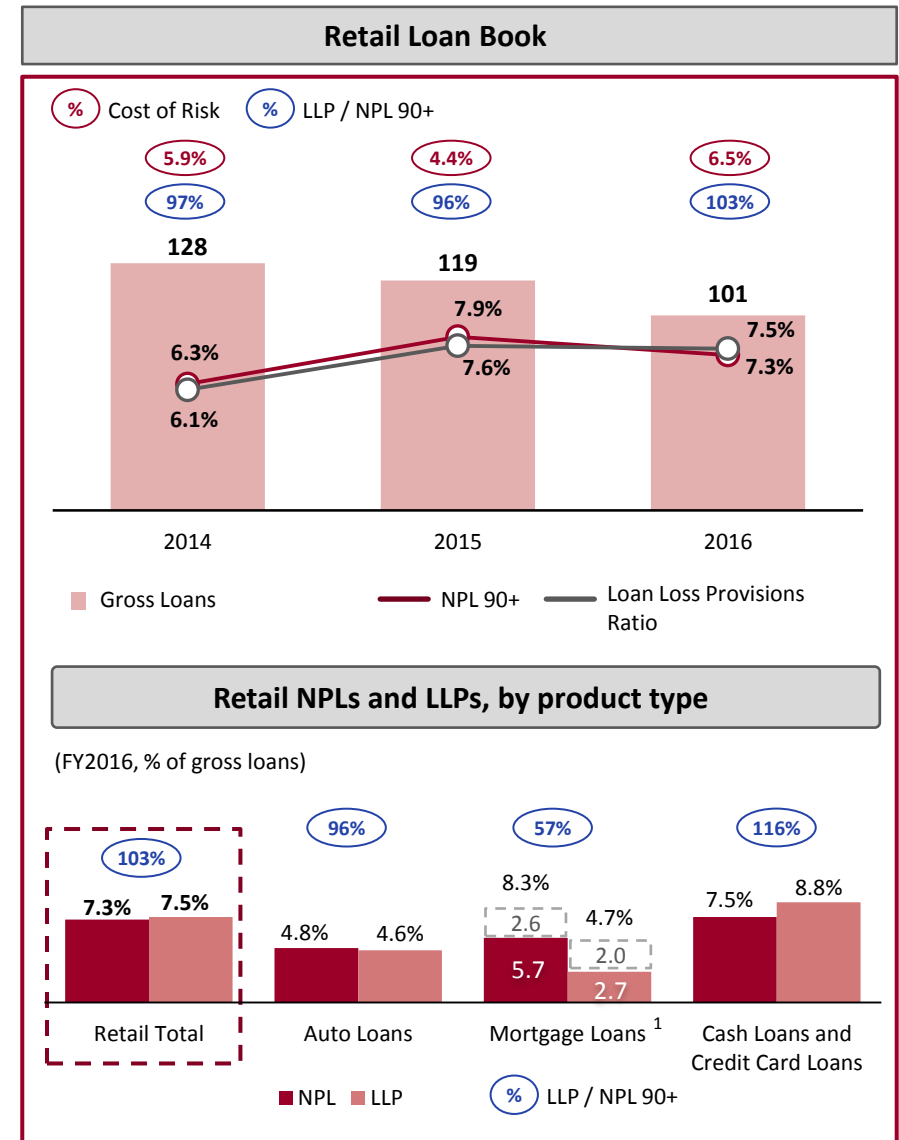
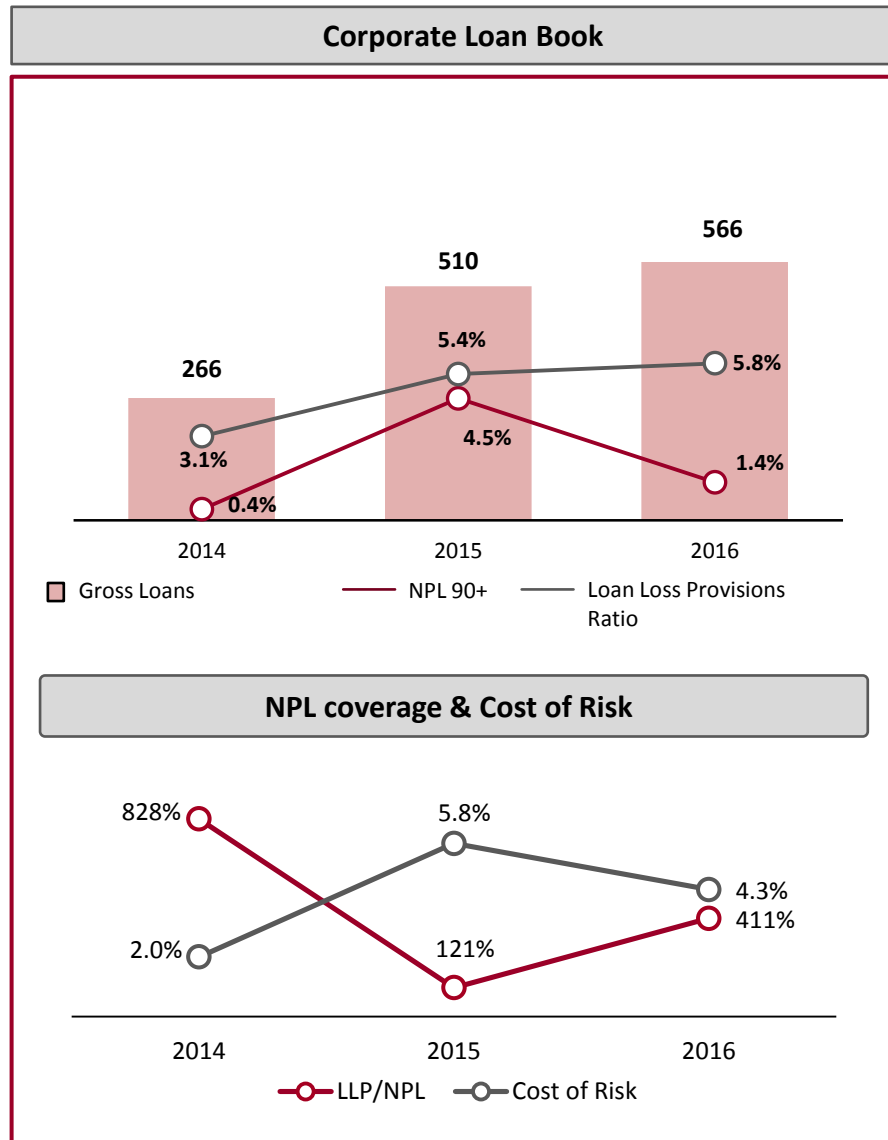
(% of Gross loans)



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

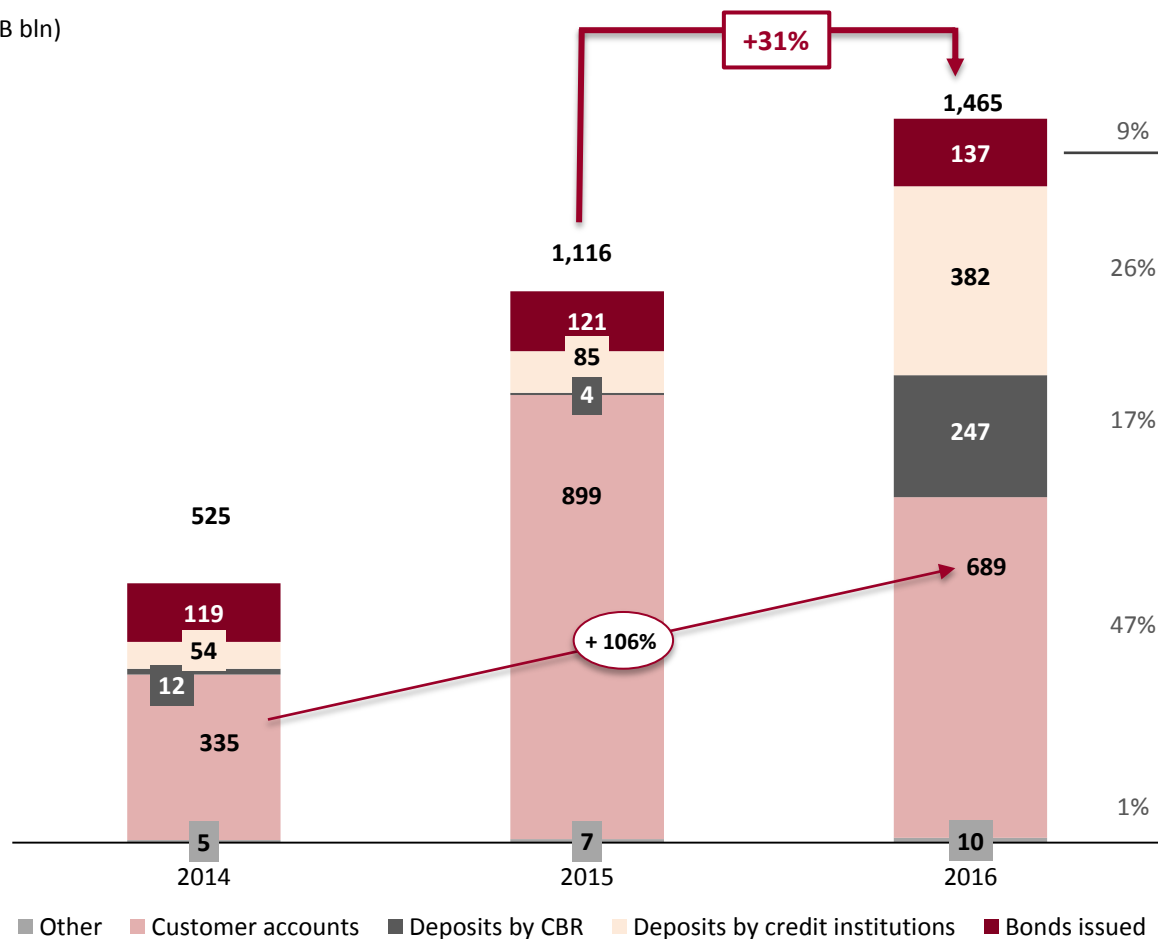
# NPL coverage by provisions maintained at a safe level



# Customer deposits remain the main source of funding

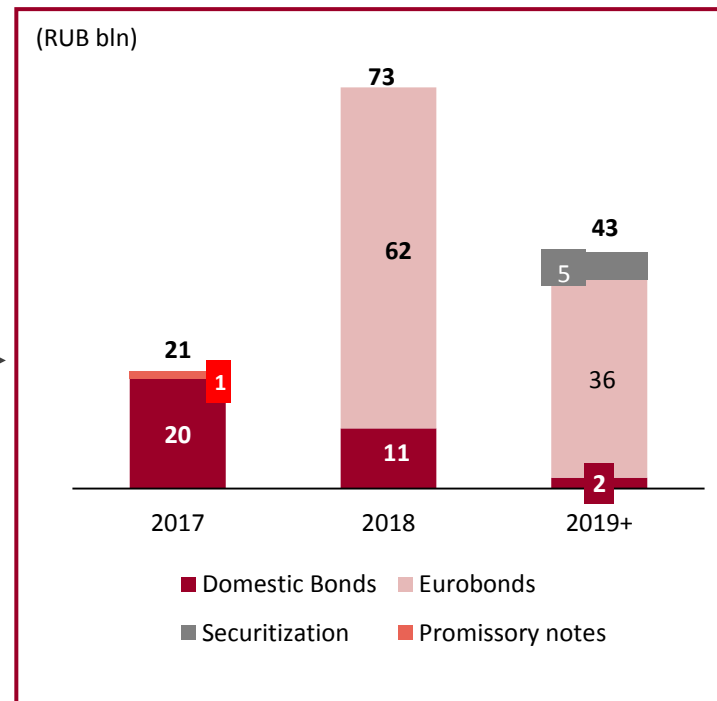
Liabilities breakdown

(RUB bln)



Debt securities repayment schedule

(RUB bln)





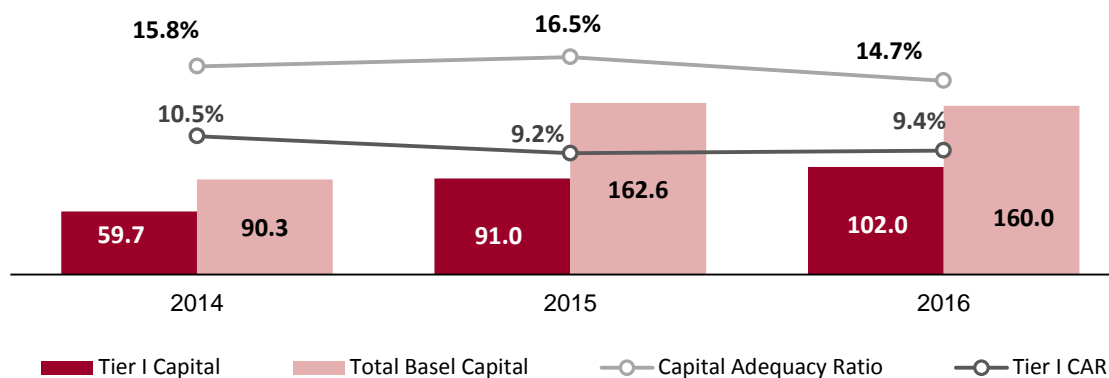
# Strong capital position

## Recent changes

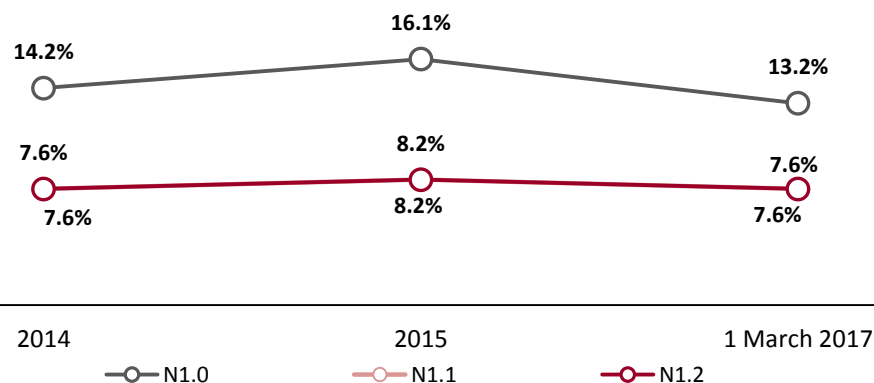
- **June, 2015:** DIA's subordinated debt RUB20 bln
- **June/December, 2015:** IPO and SPO - RUB 30 bln
- **December, 2015:** Subordinated deposit from a corporate customer of USD 300 mln
- **December, 2016:** Issue of additional 3.2 bln ordinary shares with a nominal value of RUB1 each was registered with the CBR

## IFRS capital adequacy ratios (Basel III)

(RUB bln)



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



Min N1.0=8%  
Min N1.2=6%  
Min N1.1=4.5%