

1 June 2021, Moscow

MKB's IFRS net income is RUB 8.3 bln for the first three months of 2021, +61% yoy

Key Results

- Net income grew by 60.6% yoy to RUB 8.3 bln.
- Return on equity¹ and return on assets grew to 17.3% and 1.1%, respectively (1Q2020: 12.0% and 0.8%; 2020YE: 16.9% and 1.1%).
- Net interest income increased by 26.9% yoy to RUB 16.1 bln.
- Net interest margin was 2.2% (1Q2020: 2.1%). Net interest income as percentage of average RWA (NII/RWA) grew by 0.6 pp to 4.3%.
- Net fee and commission income was RUB 3.1 bln, which is 15.6% more than in 1Q2020.
- Operational efficiency remains at a high level: cost-to-income ratio was 36.9%.
- Assets rose by 7.7% ytd to RUB 3.1 tln.
- Gross loan portfolio rose by 6.0% ytd to RUB 1,122.8 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio stayed at 3.1% like in 2020.
- Cost of risk (COR) reduced by 1.4 pp ytd to 0.4%.
- Customer deposits increased by 2.4% to RUB 1,779.5 bln.
- Capital adequacy ratio was 19.5%, and Tier 1 capital ratio was 14.2%.

Key Financial Results

Income statement	3M2021	3M2020	change, %
Net interest income (before provisions), RUB bln	16.1	12.7	+26.9%
Net fee and commission income, RUB bln	3.1	2.7	+15.6%
Net income, RUB bln	8.3	5.2	+60.6%
Earnings per share, RUB	0.25	0.14	+78.6%
Key financial ratios, %			
Net interest margin (NIM)	2.2%	2.1%	
Net interest income as percentage of average RWA (NII/ARWA)	4.3%	3.7%	
Cost-to-income ratio (CTI)	36.9%	27.2%	
Return on equity (ROAE)	17.3%	12.0%	
Return on assets (ROAA)	1.1%	0.8%	
Balance sheet	1Q 2021	2020	change, %
Assets, RUB bln	3,142.4	2,916.5	+7.7%
Gross loan portfolio, RUB bln	1,122.8	1,059.1	+6.0%
Gross corporate loan portfolio, RUB bln	978.0	925.8	+5.6%

¹ ROAE disregards the RUB 42.8 bln perpetual subordinated debt.

Gross retail loan portfolio, RUB bln	144.9	133.3	+8.7%
Liabilities, RUB bln	2,908.9	2,682.0	+8.5%
Customer deposits, RUB bln	1,779.5	1,737.5	+2.4%
Corporate deposits, RUB bln	1,267.5	1,236.0	+2.5%
Retail deposits, RUB bln	512.0	501.5	+2.1%
Equity, RUB bln	233.4	234.5	-0.5%
Key financial ratios, %			
Percentage of impaired loans (stage 2 and 3) in loan portfolio (at amortised cost ² , before provisions)	7.0%	7.4%	
90+ NPL ratio (before provisions)	3.1%	3.1%	
Provisioning rate (for loan portfolio at amortised cost)	5.0%	5.1%	
Net loans / deposits	60.2%	58.1%	
Basel III capital adequacy ratio (CAR)	19.5%	21.3%	

Net income grew by 60.6% yoy to RUB 8.3 bln, driven by net interest and fee income boosted by good quality growth of the bank's business.

Return on equity rose by 5.3 pp yoy to 17.3%.

Net interest income increased by 26.9% to RUB 16.1 bln, firstly because interest expenses on customer deposits reduced by 17.3% to RUB 14.1 bln against the backdrop of declining deposit rates.

Net interest margin widened to 2.2%. **Net interest income as percentage of average RWA** rose by 0.6 pp yoy to 4.3% reflecting the expanding portfolio of low-risk assets with minimal capital pressure.

A favourable operating environment, coupled with the high quality of the loan portfolio, translated into a lower macroeconomic adjustment and lower PDs for certain customers, resulting in a RUB 1.1 bln reversal of provisions. Good market conditions with active business growth supported the **net interest income after provisions**: it more than tripled and reached RUB 17.2 bln.

Net fee and commission income grew by 15.6% yoy to RUB 3.1 bln driven by the transactional business's development in line with the adopted strategy. In particular, guarantee and letter of credit issuance fees increased by 44.7% to RUB 1.3 bln. Brokerage commissions also grew strongly by 52.9% to RUB 341 mln, driven by origination business in the domestic bond market.

Operating income (before provisions) decreased by 10.8% yoy to RUB 16.8 bln, firstly due to the accounting treatment of the FX-nominated perpetual bonds. **Operating expense** increased by 21.0% to RUB 6.2 bln as the staff costs grew by 29.4% to RUB 3.8 bln reflecting the integration of assets acquired in the first quarter of 2021. MKB consistently demonstrates a high level of operational efficiency: its cost-to-income ratio (CTI) for the first three months of 2021 was 36.9%.

Total assets increased by 7.7% ytd to RUB 3.1 tln driven by the loan portfolio expanding by 6.2% to RUB 1.1 tln (after provisions), deposits in banks and other financial institutions rising by 9.1% to RUB 1.5 tln, and the securities portfolio growing by 8.2% to RUB 435.2 bln due to acquisition of federal bonds (OFZ).

Gross loan portfolio rose by 6.0% ytd to RUB 1,122.8 bln. It had a 87.1% share of corporate loans and a 12.9% share of retail loans. Corporate loan portfolio expanded by 5.6% ytd to RUB 978.0 bln driven by new originations prompted by the rebounding business activity. Retail loan portfolio rose by 8.7% to RUB 144.9 bln due to high demand for consumer loans and the continuing growth of mortgage lending. Mortgage loan portfolio increased by 7.6% ytd to RUB 41.8 bln, driven by low interest rates and the bank's participation in state subsidised lending programmes.

² Loans and advances to customers at amortised cost.

The high quality of the loan portfolio and a revision of macroeconomic adjustments led to substantially smaller provisioning charges, decreasing the cost of risk by 1.4 pp to 0.4%. The share of non-performing loans (NPL90+) matched the level of 4Q2020, i.e. 3.1%. A steadily high quality of the loan portfolio was also evidenced by a reduction in the share and volume of third (impaired loans) and second stage loans in the gross loan portfolio measured at amortised cost by 0.4 pp to 7.0%. The NPL90+ coverage ratio was 148.4%.

Customer deposits, which represent 61.2% of the bank's total liabilities increased by 2.4% ytd to RUB 1,779.5 bln. Retail deposits increased by 2.1% in 1Q2021 to RUB 512.0 bln. Corporate deposits rose by 2.5% ytd to RUB 1,267.5 bln. The ratio of net loans to deposits was 60.2% for the first three months of 2021.

Debt securities issued grew by 31.0% to RUB 224.5 bln after EUR 600 mln senior Eurobonds were issued in January.

Tier 1 capital calculated in accordance with Basel III increased by 3.1% in 1Q2021 to RUB 240.5 bln driven by retained earnings. The bank's **total capital** decreased by 0.5% ytd to RUB 330.6 bln due to a negative revaluation of OFZ held by it. Core Tier 1 / tier 1 / total capital adequacy ratios were 11.7% / 14.2% / 19.5%.

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 3.1 bln and total assets of over USD 41.5 bln as of 3m 2021³.

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 3.1% and NPL coverage of 148.4% as of 3m 2021.

The Bank was ranked as a top-2 non-state bank by total assets in INTERFAX-100 as at 1 January 2021. MKB is currently rated 'Ba3' / 'BB' / 'BB-' by Moody's / Fitch / S&P. In October 2019 MKB became the first Russian bank to get ESG rating, 'BBB' from Rating-Agentur Expert RA GmbH.

The Bank is publicly traded on Moscow Exchange since June 2015 with a free-float of 20%. 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/>.

³ MKB total assets and equity were converted at CBR USD/RUB exchange rate of 75.7023 as at 31 March 2021.