

23 August 2021, Moscow

## MKB's IFRS net income is RUB 13.6 bln for the first six months of 2021, +49% yoy

### Key Results

- Net income grew by 48.5% yoy to RUB 13.6 bln.
- Return on equity<sup>1</sup> and return on assets rose to 13.5% and 0.9% respectively (6M2020: 10.5% and 0.7%).
- Net interest income increased by 28.4% yoy to RUB 35.3 bln.
- Net interest margin expanded to 2.4%, up by 0.2 pp yoy.
- Net interest income as percentage of average RWA (NII/RWA) grew by 0.6 pp to 4.5%.
- Net fee and commission income was RUB 6.4 bln, up by 35.2% yoy.
- Operating income (after provisions) grew by 39.6% to RUB 31.0 bln.
- Cost-to-income (CTI) ratio was 42.0%.
- Assets rose by 8.6% ytd to RUB 3.2 tln.
- Gross loan portfolio expanded by 12.7% ytd to RUB 1,193.4 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio fell by 0.6 pp to 2.5%.
- Cost of risk (COR) remained at a low level of 0.6%.
- Basel III capital increased by 5.1% ytd to RUB 349.2 bln.
- Total capital adequacy ratio was 19.6%, and Tier 1 capital ratio was 14.8%.

### Key Financial Results

Income statement	6M2021	6M2020	change, %
Net interest income (before provisions), RUB bln	35.3	27.5	+28.4%
Net fee and commission income, RUB bln	6.4	4.7	+35.2%
Net income, RUB bln	13.6	9.1	+48.5%
Earnings per share, RUB	0.39	0.25	+56.0%
<b>Key financial ratios, %</b>			
Net interest margin (NIM)	2.4%	2.2%	
Net interest income as percentage of average RWA (NII/ARWA)	4.5%	3.9%	
Cost-to-income ratio (CTI)	42.0%	30.8%	
Return on equity (ROAE)	13.5%	10.5%	
Return on assets (ROAA)	0.9%	0.7%	
<b>Balance sheet</b>			
	<b>1H2021</b>	<b>2020</b>	<b>change, %</b>
Assets, RUB bln	3,166.0	2,916.5	+8.6%
Gross loan portfolio, RUB bln	1,193.4	1,059.1	+12.7%
Gross corporate loan portfolio, RUB bln	1,041.8	925.8	+12.5%
Gross retail loan portfolio, RUB bln	151.5	133.3	+13.7%

<sup>1</sup> ROAE disregards the RUB 38.3 bln perpetual subordinated debt.

Liabilities, RUB bln	2,910.1	2,682.0	+8.5%
Corporate deposits, RUB bln	1,215.4	1,236.0	-1.7%
Retail deposits, RUB bln	509.9	501.5	+1.7%
Debt securities issued	216.1	171.5	+26.0%
Equity, RUB bln	255.9	234.5	+9.1%
<b>Key financial ratios, %</b>			
Percentage of impaired loans (stage 2 and 3) in loan portfolio (at amortised cost <sup>2</sup> , before provisions)	5.9%	7.4%	
90+ NPL ratio (before provisions)	2.5%	3.1%	
Provisioning rate (for loan portfolio at amortised cost)	4.5%	5.1%	
Net loans / deposits	66.3%	58.1%	
Basel III capital adequacy ratio (CAR)	19.6%	21.3%	

**Net income** for 6M2021 grew by 48.5% yoy to RUB 13.6 bln. This positive trend was due to a considerable increase in net interest and fee and commission income, which was achieved without compromising the high asset quality.

**Return on equity** rose by 3.0 pp yoy to 13.5%.

**Net interest income** grew by 28.4% to RUB 35.3 bln thanks to a greater volume of working assets, which mainly increased interest income on loans to corporate and retail customers by 12.1% to RUB 38.5 bln.

**Net interest income as percentage of average RWA (NII/RWA)** grew by 0.6 pp ytd to 4.5%. **Net interest margin** rose by 0.2 pp yoy to 2.4% as yields on assets grew faster than the cost of liabilities in the context of the growing key rate.

**Provisioning charges for the loan portfolio measured at amortised cost** in the first half of 2021 amounted to 1.3 bln roubles, 10 times less than in 6M2020. This implies that the loan portfolio has expanded thanks to high-quality borrowers, and reflects a decrease in the macroeconomic adjustment afforded by the continuing recovery of the Russian economy. RUB 1.9 bln of provisions was reversed in total across other debt financial assets in the reporting period in view of their improving quality. Thus, strongly expanding good-quality performing assets coupled with overall improvement of the operating environment allowed **net interest income after provisions** to soar by 2.5 times to RUB 35.9 bln.

**Net fee and commission income** was RUB 6.4 bln for 6M2021 having grown by 35.2% yoy. This growth was fuelled by the active development of transactional business in line with the bank's declared strategy, and by the recovering business activity after the overall economic slump during the lockdown period. In particular, guarantee and letter of credit issuance fees rose by 29.8% to RUB 2.5 bln. Fee income from settlements and wire transfers also rose substantially by 64.5% to RUB 1.1 bln, partly due to the consolidation of Koltso Urala bank's business.

**Operating income (before provisions)** decreased by 5.0% yoy to RUB 33.0 bln due to the accounting treatment of the FX-nominated perpetual bonds, and lower trading gains from securities operations compared to 6M2020, when record profits were earned. **Operating expense** increased by 29.6% to RUB 13.8 bln as the staff costs grew by 33.6% to RUB 8.4 bln reflecting mainly the integration of assets acquired in the first quarter of 2021. **Cost-to-income ratio (CTI)** for the first six months of 2021 was 42.0%.

**Total assets** increased by 8.6% ytd to RUB 3.2 tln, driven primarily by the net loan portfolio expanding by 13.3% to RUB 1.1 tln and by deposits with banks and other financial institutions rising by 4.4% to RUB 1.4 tln and the securities portfolio growing by 12.7% to RUB 453.2 bln due to acquisition of OFZ.

**Gross loan portfolio** expanded by 12.7% ytd to RUB 1,193.4 bln. It had a 87.3% share of corporate loans and a 12.7% share of retail loans. The corporate loan portfolio rose by 12.5% (14.0% net of currency revaluation) to RUB 1,041.8 bln mainly due to loans issued to large high-quality corporate customers. The retail loan portfolio increased by 13.7% ytd to RUB 151.5 bln driven by continuing growth of mortgage and consumer lending and consolidation with Koltso Urala. The consumer loans portfolio expanded by 10.0% to RUB 94.1 bln, and the mortgage loan portfolio by 21.6%

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

to RUB 47.3 bln. High demand for the bank's retail credit products is due to its participation in state subsidised lending programmes, and to all-time lowest interest rates caused by a change of the Bank of Russia's monetary policy.

**Loan book quality** improved during the 6 months of 2021. The share of second and third basket loans decreased by 1.6 pp ytd to 5.9%, while the share of non-performing loans (NPL90+) in the gross loan portfolio declined by 0.6 pp to 2.5%. Economic recovery in 1H2021 and a revision of macroeconomic adjustments led to substantially smaller provisioning charges, decreasing the cost of risk by 1.2 pp ytd to 0.6%. The NPL90+ coverage ratio was 166.6%.

**Customer deposits** stood at RUB 1,725.4 bln as at 1H2021 or 59.3% of the Bank's total liabilities. Retail deposits increased by 1.7% to RUB 509.9 bln as current account balances grew by 19.2% to RUB 120.1 bln. Corporate deposits shrank by 1.7% (-0.4% net of currency revaluation) to RUB 1,215.4 bln. The ratio of net loans to deposits rose to 66.3% as at the end of 1H2021.

**Total capital** calculated in accordance with Basel III grew by 5.1% ytd to RUB 349.2 bln, driven primarily by RUB 22.7 bln of new core capital raised through an SPO on Moscow Exchange in May 2021. The core tier 1 / tier 1 / total capital adequacy ratios were 12.7% / 14.8% / 19.6%.

### 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 3.5 bln and total assets of over USD 43.7 bln as of 1H 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 2.9% and NPL coverage of 143.7% as of 1H 2021.

The Bank was ranked as a top-2 non-state bank by total assets in INTERFAX-100 as at 1 July 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 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/>.

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<sup>3</sup> MKB total assets and equity were converted at CBR USD/RUB exchange rate of 72.3723 as at 30 June 2021.