Russian economy and banking sector: great potential amidst challenges

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CEO, Member of the Supervisory Board

Eurasian Economic Forum in Verona
Oil prices remain at historic highs

The main drivers of oil prices growth:

- concerns of market participants regarding reduction of Iranian oil supply after the introduction of US sanctions
- decline in oil production of other OPEC countries

Source: Bloomberg, SOVA Capital Research
Key characteristics of the Russian economy

Strong balance of payments with minimal dependence on external financing and limited vulnerability to the volatility in global markets

Source: CBR, SOVA Capital Research
Key characteristics of the Russian economy

Controlled level of budget deficit

- NWF, at the end of the year, % of GDP
- Federal budget surplus, % of GDP
- Oil price, MinFin's estimate, RUB/bbl (rhs)

MinFin's estimates

Inflation matches expectations

- Inflation expectations of households, %
- Actual headline in inflation, % YoY (rhs)

Source: MinFin, CBR, SOVA Capital Research
Industrial production is growing

Growth of industrial production reached 3.0% yoy in the 9m period of 2018

Source: Rosstat, SOVA Capital Research
Key projections

Controlled inflation decline

Gradual acceleration of economic growth up to 2-3% yoy in 2020-2021

Source: CBR, IMF, Rosstat, SOVA Capital Research
Stability of the Russian financial sector

• “...most of this difficult work to rehabilitate the major players in our banking system can also be considered complete,” – stated CBR’s Governor Elvira Nabiullina

• As of 1 October 2018 there are 508 credit organizations licensed to provide banking services

• Recovery of the Russian banking sector resulted in growth of the share of state-owned banks which exceeded 60% of the sector’s assets

• This tough competition forces banks to develop new product offerings and improve service quality and technologies

Source: CBR

Number of revoked banking licenses

Market share of government banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Government related banks</th>
<th>Banks in BSCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>2015</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>2016</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>2017</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>9m2018</td>
<td>60%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Retail lending growth outruns corporate

Corporate lending growth

- Corporate lending shows insignificant growth from the beginning of 2018, which is caused by weak economy growth

Retail lending growth

- Retail lending is growing rapidly, causing fears of market overheating
- CBR is pursuing a balanced policy to cool down retail lending by increasing risk weights

Source: CBR, Fitch calculations
1) Calculations made for 7m2018 and excluding currency revaluation
Russian banking sector has sustainably high profitability

- Russian banking sector showed sustainably attractive ROAE of 16% for 1H 2018 and 15% for FY 2017 (excluding losses of banks under the CBR rehabilitation: RUB 263 billion for 1H 2018 and RUB 636 billion for FY 2017)
- Russian banking sector can stomach all the problem exposures on the banking balances by itself due to sustainable profit generation

**Return on average equity**

- **Source:** CBR
  1) **Calculation is based on RAS statements.**
Russia is among the most progressive countries in terms of implementation of new standards for banking sector regulation.

### RAS capital adequacy requirements applicable for SIB

- **From Jan-17**
  - CET1: 6.1%
  - Minimum CET1 (N1.1): 4.5%
  - Capital Conservation Buffer: 0.35%
  - Systemic Risk Buffer: 1.25%
  - Total: 9.6%

- **From Jan-18**
  - CET1: 7.025%
  - Minimum CET1 (N1.1): 4.5%
  - Capital Conservation Buffer: 0.65%
  - Systemic Risk Buffer: 1.6%
  - Total: 10.525%

- **From Jan-19**
  - CET1: 8.0%
  - Minimum CET1 (N1.1): 4.5%
  - Capital Conservation Buffer: 1.875%
  - Systemic Risk Buffer: 2.525%
  - Total: 11.5%

- **Total Capital CET1**
  - From Jan-17: 8.0%
  - From Jan-18: 6.1%
  - From Jan-19: 7.025%
  - Total: 21.125%

- **Minimum Tier 2**
  - From Jan-17: 2.0%
  - From Jan-18: 1.5%
  - From Jan-19: 2.0%
  - Total: 5.5%

- **Minimum Additional Tier 1**
  - From Jan-17: 1.5%
  - From Jan-18: 1.5%
  - From Jan-19: 1.5%
  - Total: 4.5%

- **Systemic Risk Buffer**
  - From Jan-17: 0.35%
  - From Jan-18: 0.65%
  - From Jan-19: 2.525%
  - Total: 3.5%

- **Capital Conservation Buffer**
  - From Jan-17: 1.25%
  - From Jan-18: 1.6%
  - From Jan-19: 2.5%
  - Total: 5.35%

- **Minimum CET1 (N1.1)**
  - From Jan-17: 4.5%
  - From Jan-18: 4.5%
  - From Jan-19: 4.5%
  - Total: 13.5%

- **Total: 22.5%**
  - Total: 9.6%
  - Total: 10.525%
  - Total: 11.5%
  - Total: 21.625%
  - Total: 23.125%

- **Capital buffers will be increased starting from 1 January 2019 to a maximum of:**
  - 2.5% for Capital Conservation Buffer
  - 1% for Systemic Risk Buffer

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Russia is among the most progressive countries in terms of implementation of new standards for banking sector regulation.
All SIBs were in compliance with capital adequacy requirements as at 1 September 2018

RAS capital adequacy ratios of SIB

<table>
<thead>
<tr>
<th>Bank</th>
<th>N 1.2</th>
<th>N 1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sberbank</td>
<td>11.9%</td>
<td>14.7%</td>
</tr>
<tr>
<td>VTB</td>
<td>9.5%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Gazprombank</td>
<td>8.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Rosselinhozbank</td>
<td>10.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Alfa-Bank</td>
<td>11.3%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Credit Bank of Moscow</td>
<td>12.4%</td>
<td>20.9%</td>
</tr>
<tr>
<td>UniCredit</td>
<td>14.2%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Raiffeisenbank</td>
<td>10.0%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Rosbank</td>
<td>10.1%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

1) Ratios as of 1 September 2018. List of SIBs does not include Bank FC Otkritie and Promsvyazbank
CREDIT BANK OF MOSCOW at a glance

Overview

- #7 bank in Russia by total assets
- #1 publicly traded private bank in Russia
- In the CBR’s list of systemically important banks
- Strategic focus on Moscow Area
- Over 15,000 active corporate banking customers
- Over 1,400,000 retail banking customers
- 130 offices, over 6,600 payment terminals and over 1,100 ATMs
- Over 8,700 employees
- International credit ratings: BB-/BB-/Ba3 from Fitch/S&P/Moody’s

Awards

- Best Bank in Russia 2018, by Global Finance
- Best Bank in Russia Awards for Excellence 2014, by Euromoney
- Bank of the year in Russia 2014 and in 2015 by The Banker

MOEX included shares of CBM in the constituent lists of the MICEX Index and the RTS Index

Free-float is 18%

CBM shares are included in MSCI Russia Index

1) Banki.ru ranking as of 1 September 2018
2) Moscow Area represents Moscow and the Moscow Region
3) Company data as of 1 September 2018, including 28 offices of Bank Sovetsky outside Moscow Area
4) The number of employees of CBM Group
Key highlights

### Key Financials

<table>
<thead>
<tr>
<th>Balance sheet (RUB bln)</th>
<th>1H2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>1,931.1</td>
<td>1,888.2</td>
<td>1,568.0</td>
</tr>
<tr>
<td>Gross Loans</td>
<td>712.9</td>
<td>818.8</td>
<td>666.7</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>961.0</td>
<td>941.7</td>
<td>689.5</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>177.4</td>
<td>177.6</td>
<td>103.4</td>
</tr>
</tbody>
</table>

### Key Ratios

| NPL 90+ / Gross Loans   | 1.6%    | 2.4%    | 2.3%    |
| Cost of Risk            | 0.9%    | 2.5%    | 4.6%    |
| Total Basel Capital (Basel III) | 23.5%  | 23.4%  | 14.7%  |
| CET1 ratio (Basel III)   | 14.8%   | 15.0%   | 9.4%    |

### Income Statement (RUB bln)

| Net interest income     | 23.8    | 20.7    | 20.5    |
| Net Income              | 11.0    | 10.0    | 5.1     |

### Key Ratios

| RoAA                | 1.2%    | 1.3%    | 0.8%    |
| RoAE                | 16.5%   | 18.5%   | 10.7%   |
| Cost / Income       | 31.3%   | 29.2%   | 22.5%   |
| NII/ARWA            | 4.5%    | 4.3%    | 4.5%    |
| Net Interest Margin | 2.7%    | 2.9%    | 3.5%    |

### Business segment contribution (1H2018)

- Focus on high quality large and medium-sized corporates, **Russian blue-chip clients**

#### Gross Customer Loans

- RUB 713 bln
  - 13% Retail
  - 87% Corporate

#### Revenue

- RUB 75 bln
  - 24% Retail
  - 76% Corporate

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1) *IFRS financial statements*

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

3) Corporate revenues include corporate banking, treasury and cash operations
Knowledge of investor sentiment towards Russia based on active IR communications

#1 Financial sector issuer among CIS international bond issuers (2017YTD)
- USD 2.4 bln of market debt outstanding (Eurobonds)
- In the recent 2 years:
  - USD 2.3 bln issued via Eurobonds
  - c. USD 1 bln raised via syndicated loans
- Free Float is 18%, shares traded on MOEX
- More than 150 investors met annually
- Frequent visitor of all most popular debt and equity conferences
- Quarterly results conference calls

Key deterrents and supportive factors to investing in Russia based on our investor communications*

<table>
<thead>
<tr>
<th>Deterrent (%)</th>
<th>Strength (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanctions risks</td>
<td>100%</td>
</tr>
<tr>
<td>Fundamentals</td>
<td>20%</td>
</tr>
<tr>
<td>CBR regulation</td>
<td>10%</td>
</tr>
<tr>
<td>Banking sector</td>
<td>30%</td>
</tr>
<tr>
<td>Impact of EM volatility</td>
<td>20%</td>
</tr>
</tbody>
</table>

Investor sentiment *

<table>
<thead>
<tr>
<th></th>
<th>Sell Russia</th>
<th>Hold Russia</th>
<th>Buy Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25%</td>
<td>60%</td>
<td>15%</td>
</tr>
</tbody>
</table>

* CBM’s statistical data is based on investor feedback collected during 1-on-1 meetings