



Russian economy and banking sector: great potential amidst challenges

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MKB.RU | **25** years

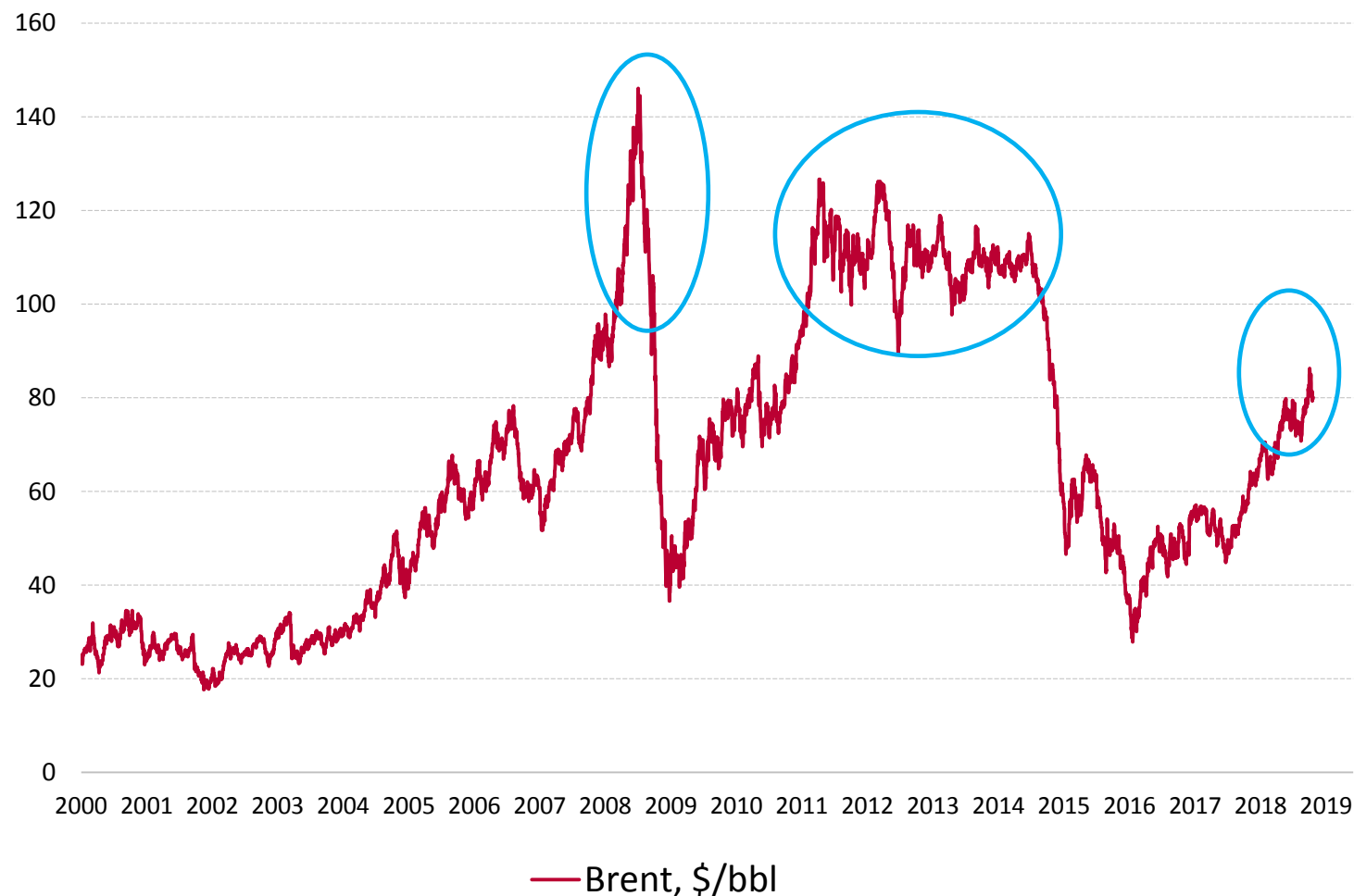


**CREDIT BANK
OF MOSCOW**

Eurasian Economic Forum in Verona

Oil prices remain at historic highs

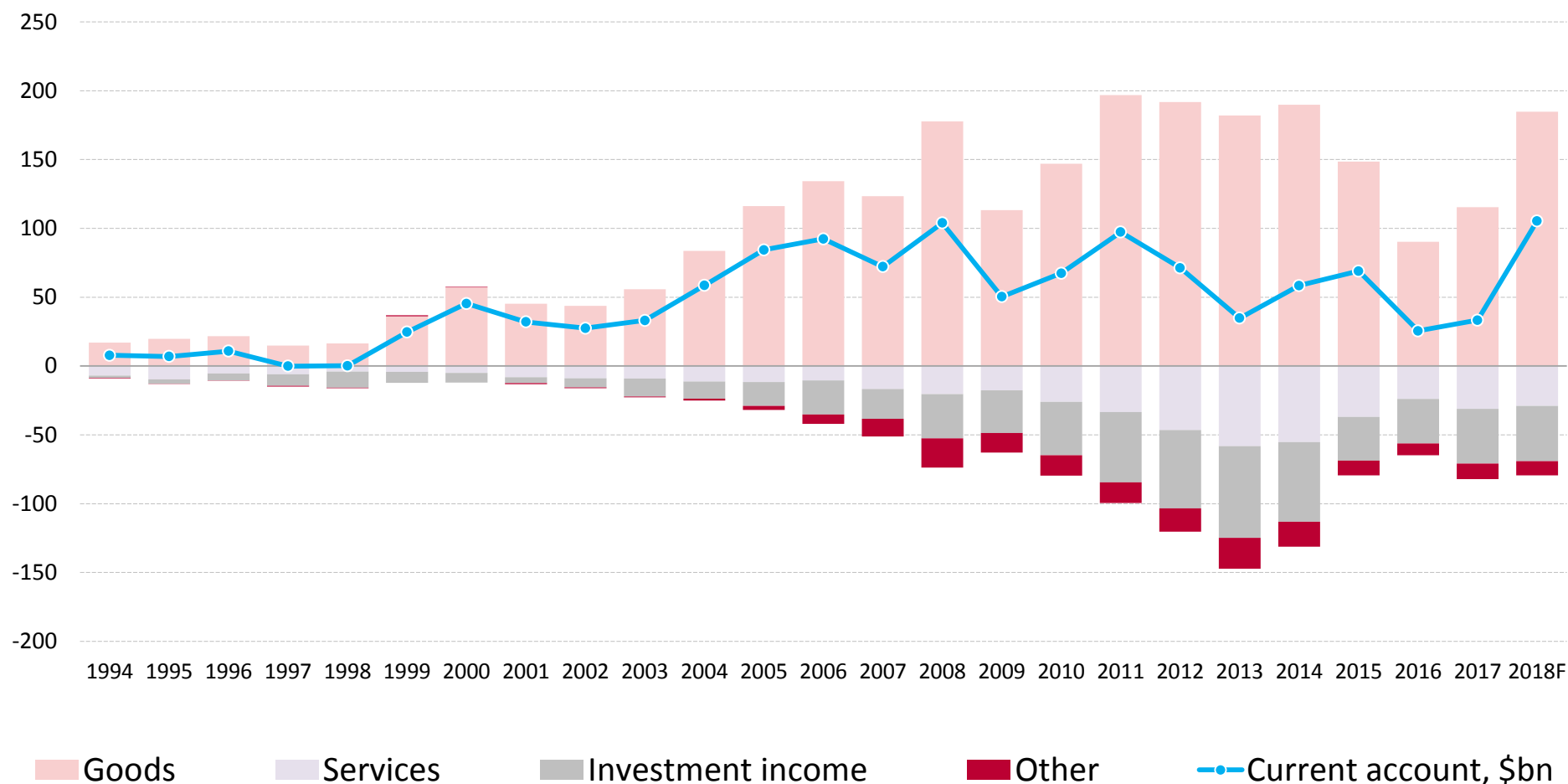
Oil prices dynamics



- 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

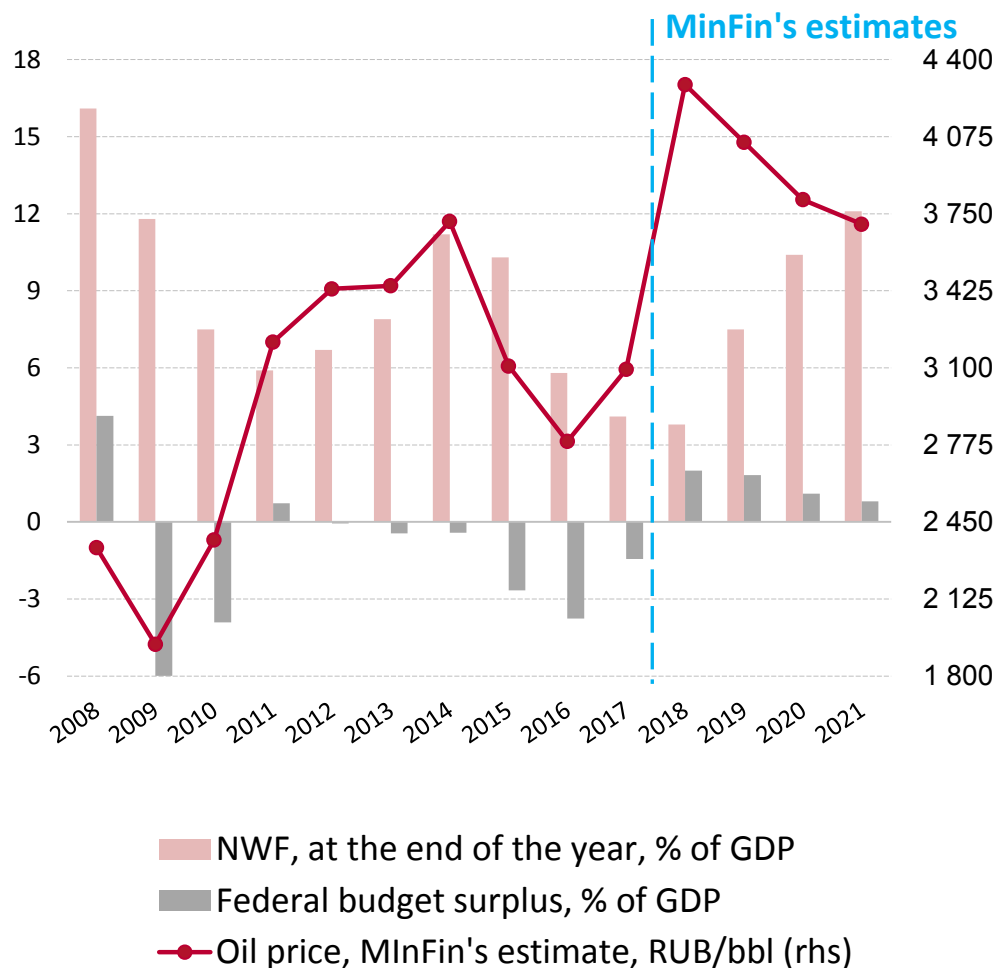
Key characteristics of the Russian economy

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

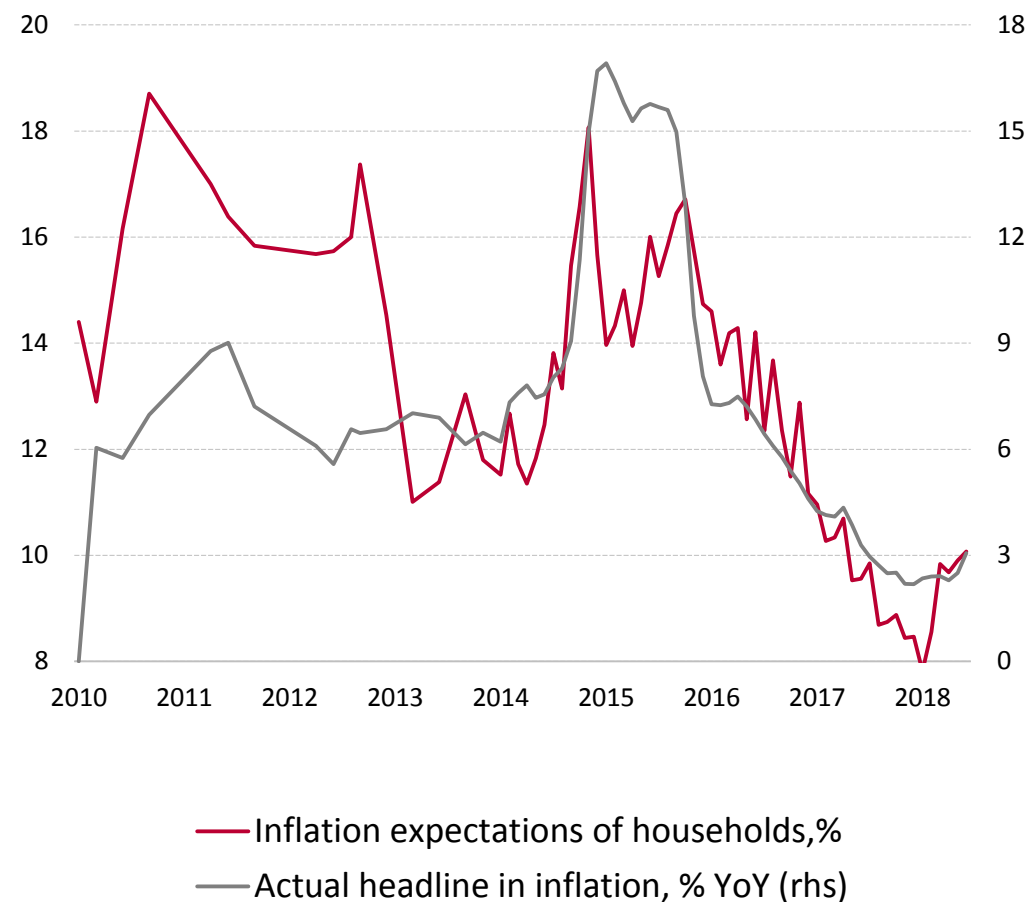


Key characteristics of the Russian economy

Controlled level of budget deficit

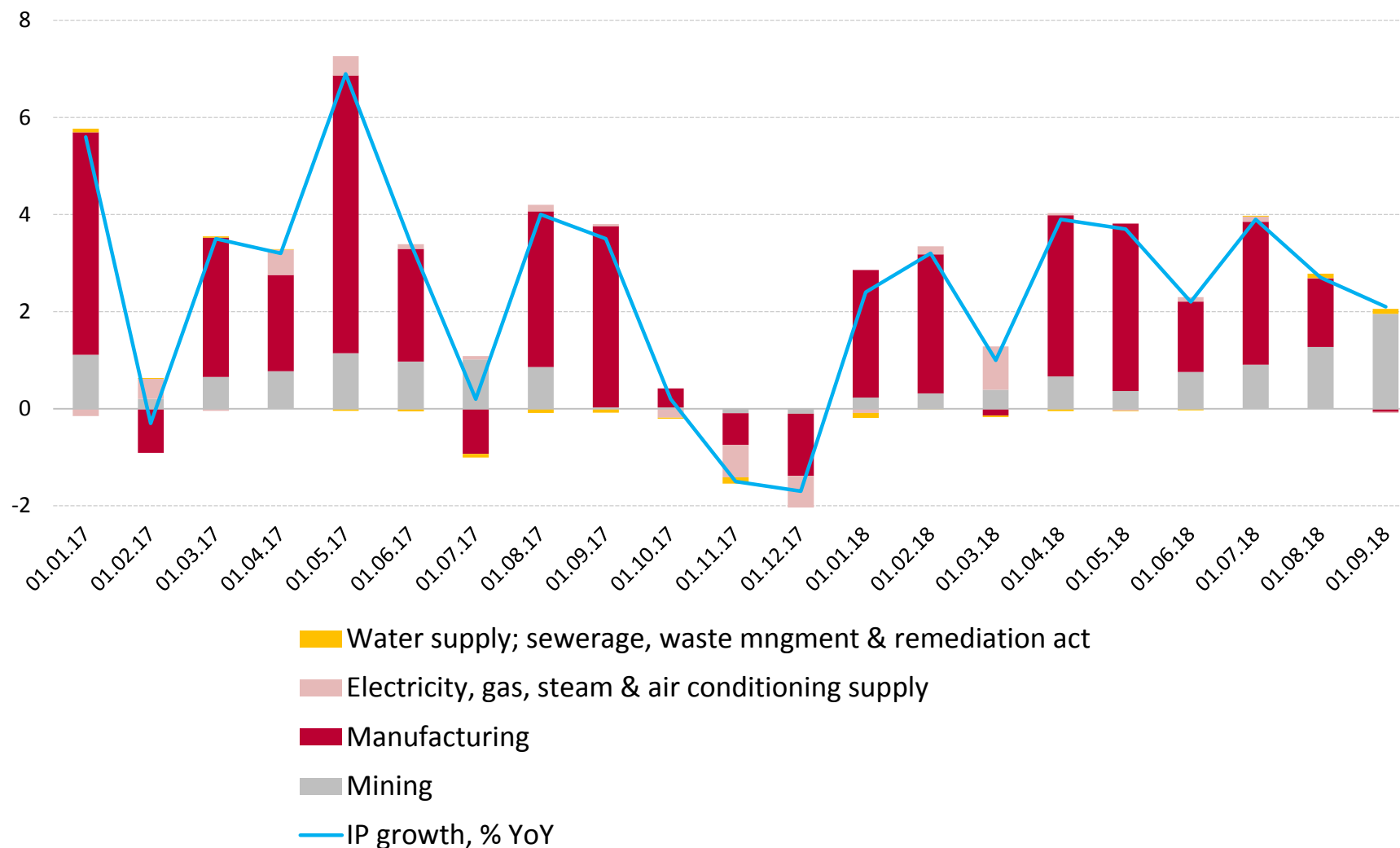


Inflation matches expectations



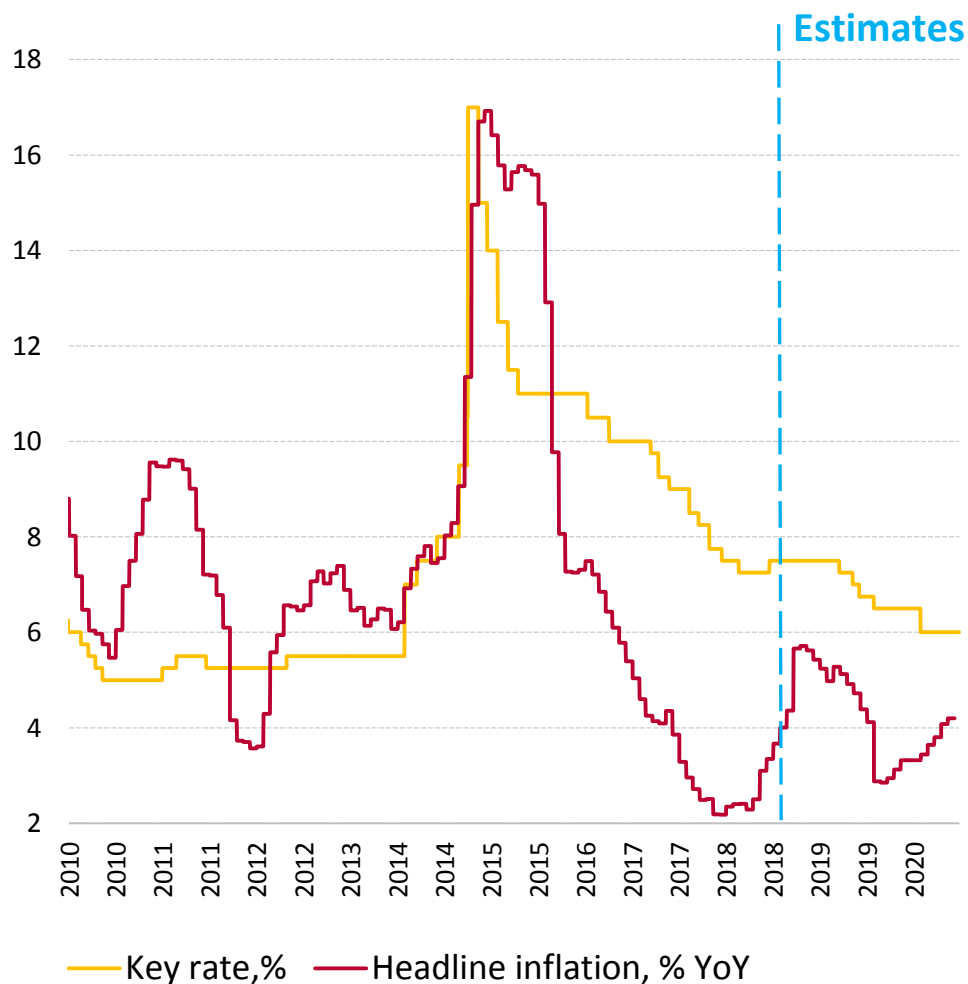
Industrial production is growing

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

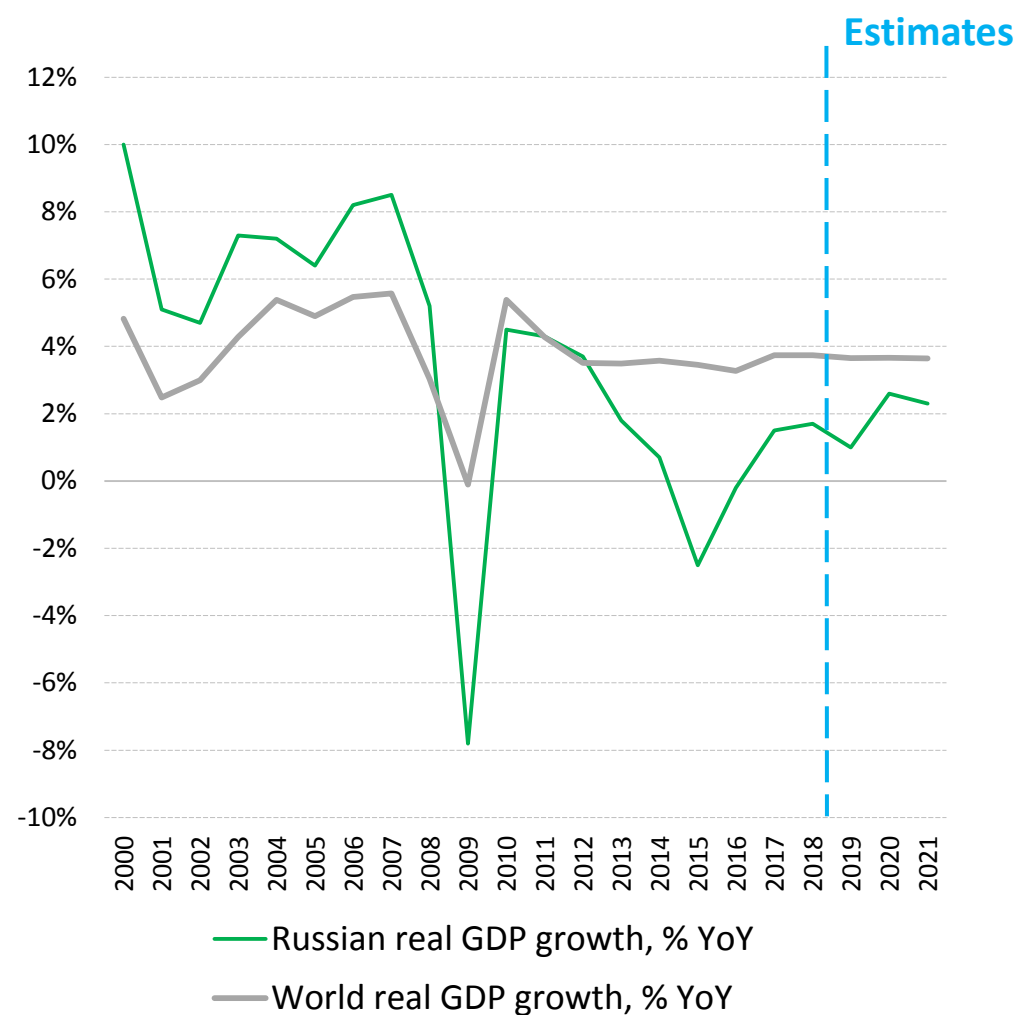


Key projections

Controlled inflation decline



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



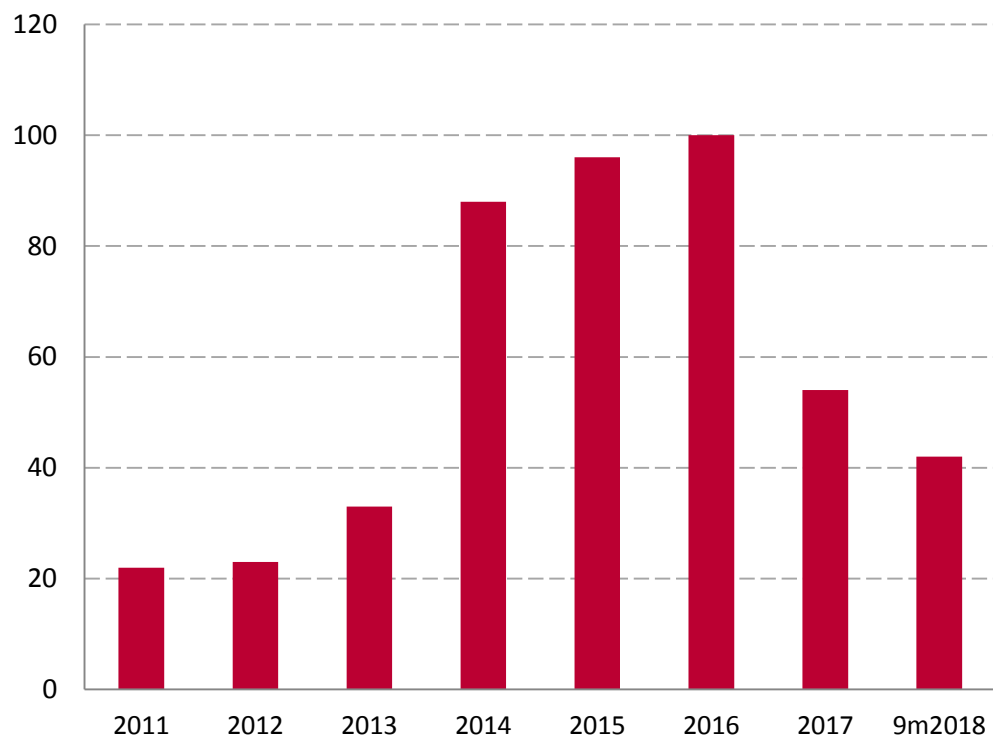
Stability of the Russian financial sector

- **“...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

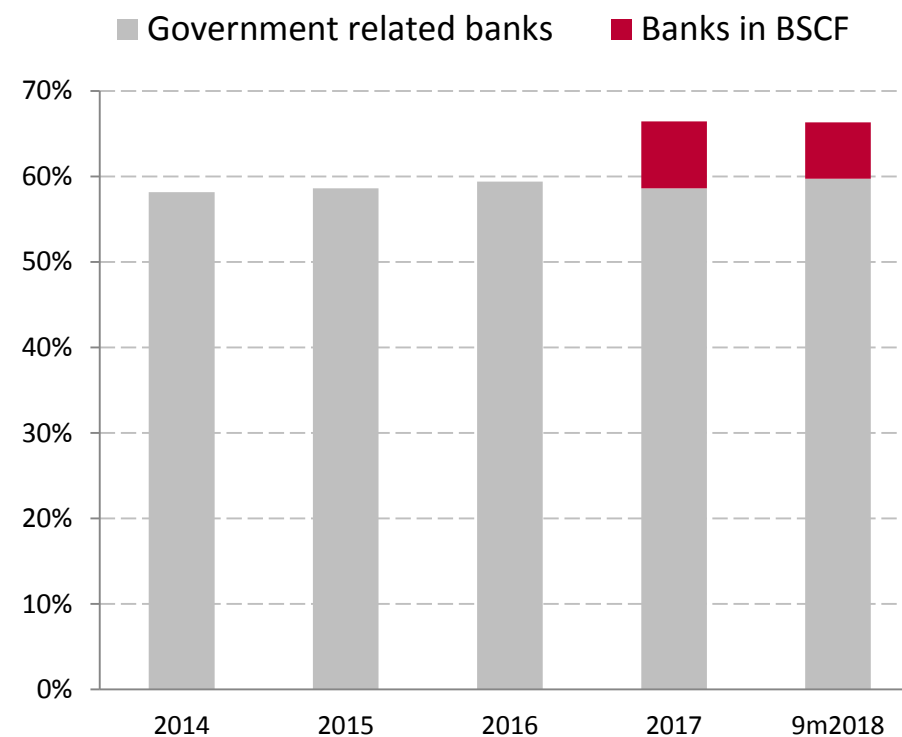
- Recovery of the Russian banking sector resulted in growth of the share of state-owned banks which exceeded 60% of the sector’s assets
- This tough competition forces banks to develop new product offerings and improve service quality and technologies

Number of revoked banking licenses



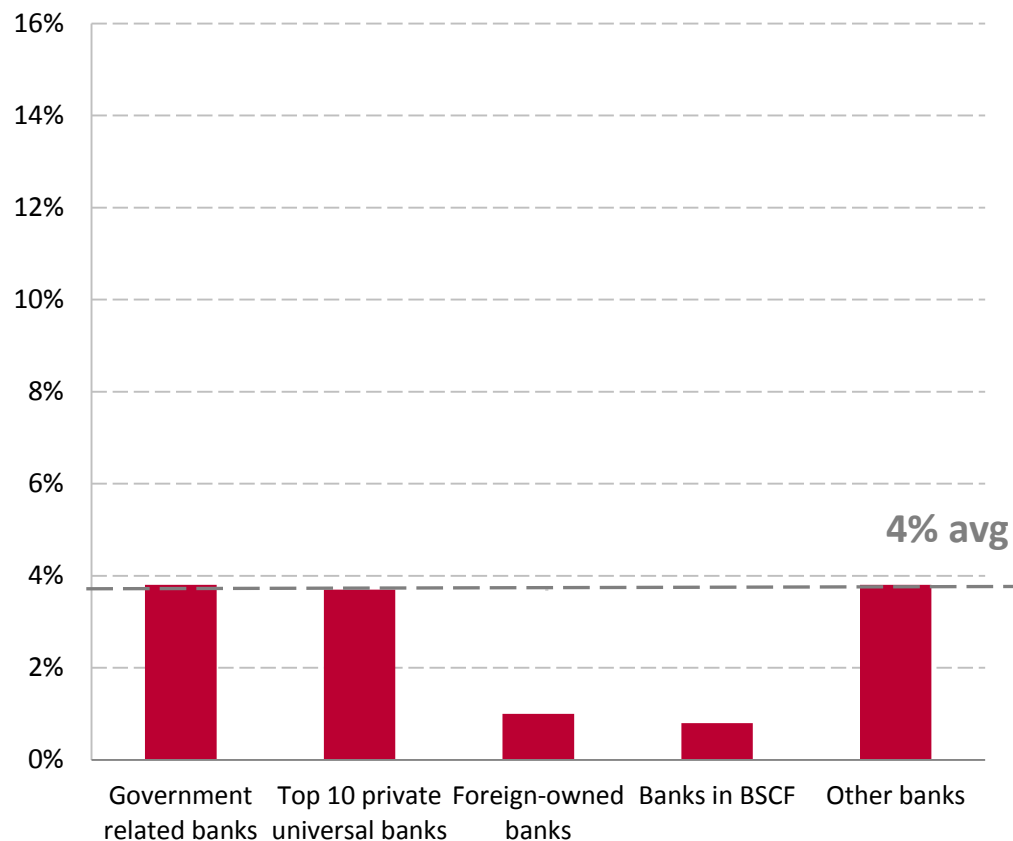
Source: CBR

Market share of government banks



Retail lending growth outruns corporate

Corporate lending growth¹

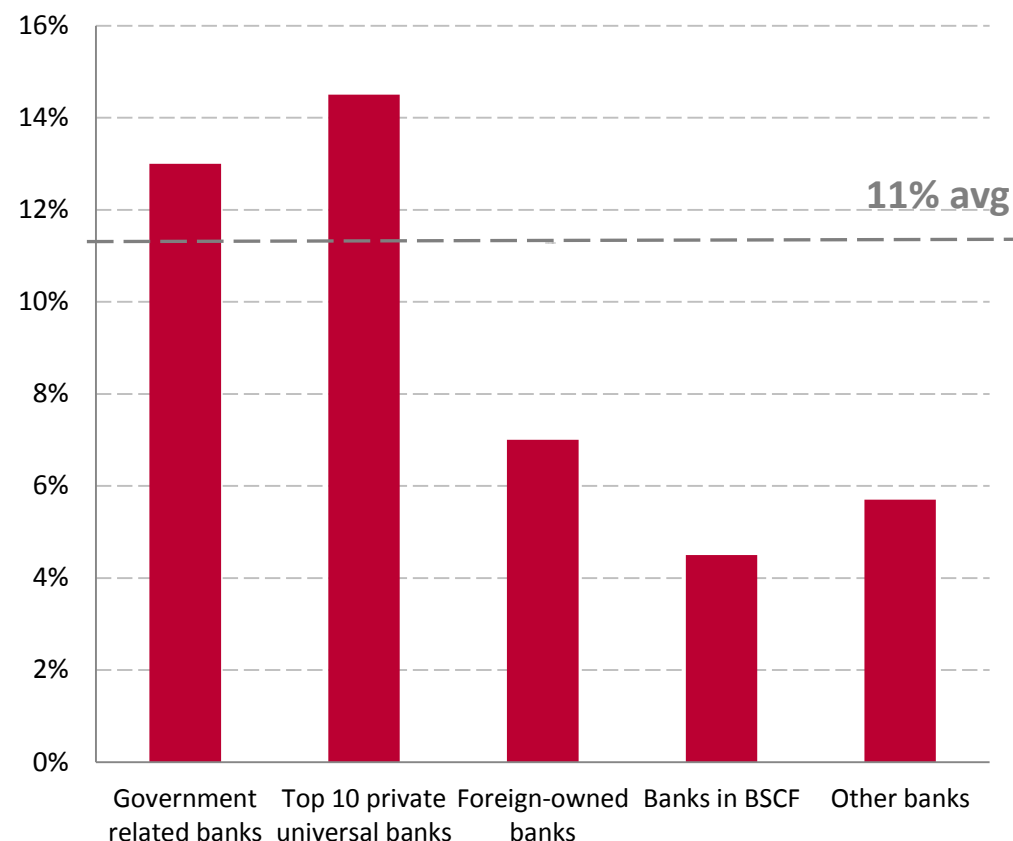


- Corporate lending shows insignificant growth from the beginning of 2018, which is caused by weak economy growth

Source: CBR, Fitch calculations

1) Calculations made for 7m2018 and excluding currency revaluation

Retail lending growth¹



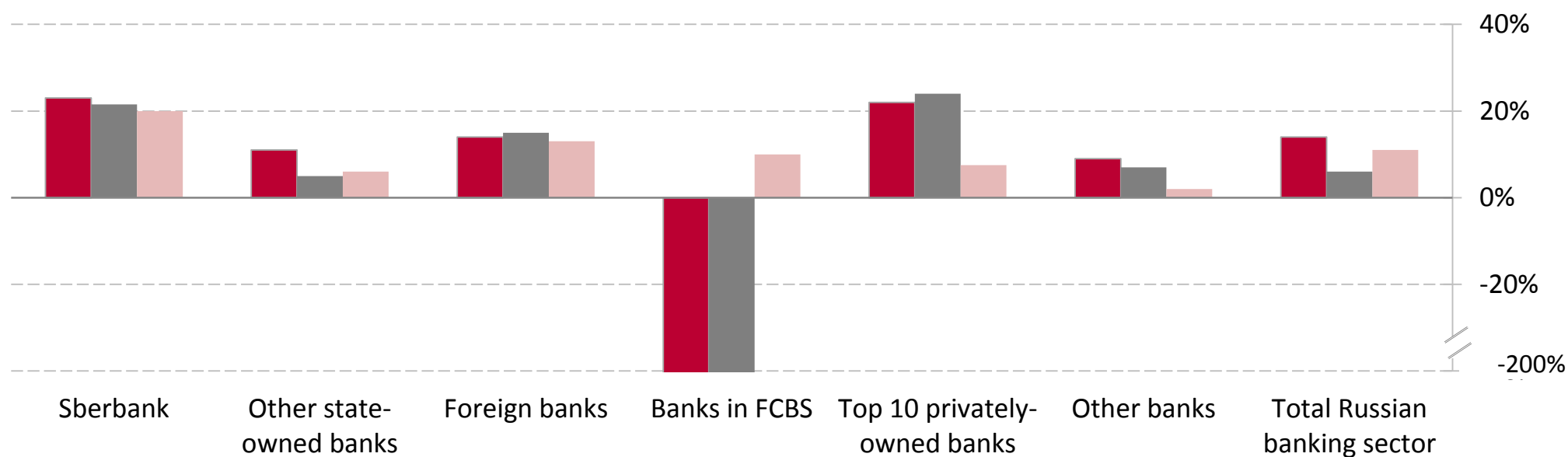
- Retail lending is growing rapidly, causing fears of market overheating
- CBR is pursuing a balanced policy to cool down retail lending by increasing risk weights

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

■ 6m2018 ■ 2017 ■ 2016

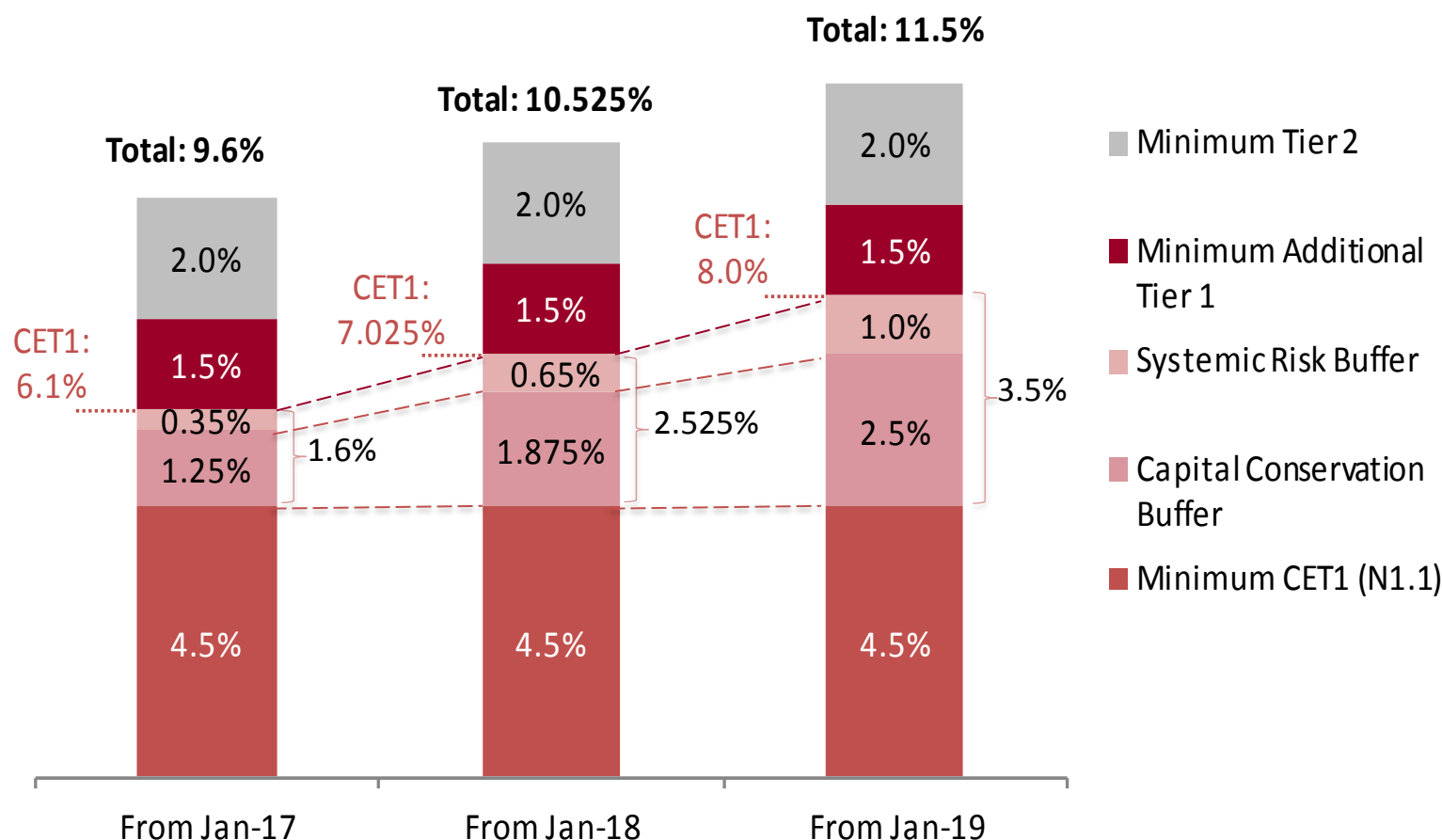


Source: CBR

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

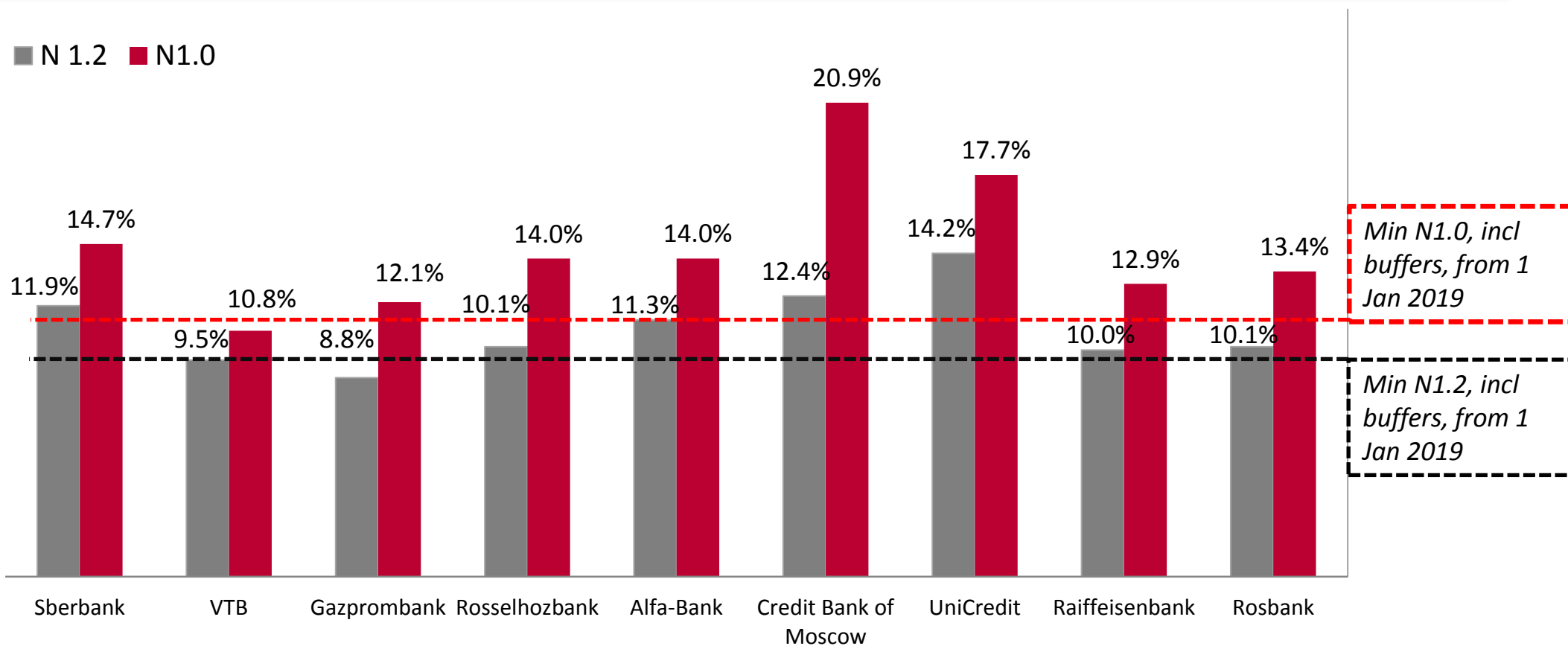


- Capital buffers will be increased starting from 1 January 2019 to a maximum of:

- 2.5% for Capital Conservation Buffer
- 1% for Systemic Risk Buffer

All SIBs were in compliance with capital adequacy requirements as at 1 September 2018

RAS capital adequacy ratios of SIB¹



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 assets¹
- ✔ **#1** publicly traded private bank in Russia
- ✔ **In the CBR's list of systemically important banks**
- ✔ **Strategic focus on Moscow Area**²
- ✔ Over **15,000** active corporate banking customers³
- ✔ Over **1,400,000** retail banking customers³
- ✔ **130** offices, over **6,600** payment terminals and over **1,100** ATMs³
- ✔ Over **8,700** employees^{3,4}
- ✔ International credit ratings: **BB-/BB-/Ba3** from Fitch/S&P/Moody's



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

Awards

Best Bank in Russia

25th Annual Best Bank Awards 2018, by **Global Finance**,



Bank of the year in Russia

Bank of the year awards in 2014 and in 2015 by The Banker

Best Bank in Russia

Awards for Excellence 2014, by Euromoney



- 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 Financials¹

Balance sheet (RUB bln)	1H2018	2017	2016
Total Assets	1,931.1	1,888.2	1,568.0
Gross Loans	712.9	818.8	666.7
Customer Deposits	961.0	941.7	689.5
Shareholders' Equity	177.4	177.6	103.4

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)	6m2018	6m2017	6m2016
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 ²	4.5%	4.3%	4.5%
Net Interest Margin	2.7%	2.9%	3.5%

1) IFRS financial statements

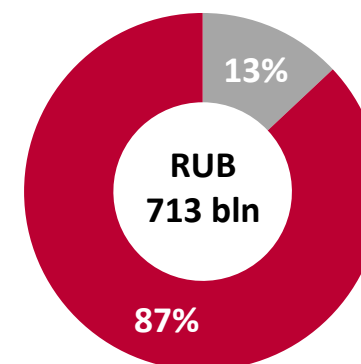
2) ARWA is a sum of opening and closing average risk-weighted assets classified into the banking book and trading book, ARWA are averaged quarterly

3) Corporate revenues include corporate banking, treasury and cash operations

Business segment contribution (1H2018)¹

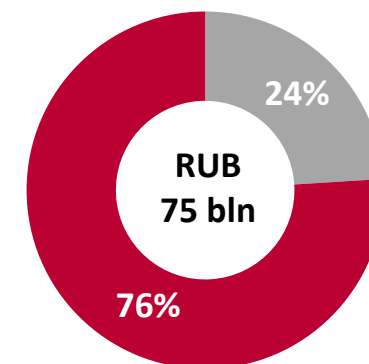
- Focus on high quality large and medium-sized corporates, **Russian blue-chip clients**

Gross Customer Loans



■ Retail ■ Corporate

Revenue



■ Retail ■ Corporate³

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

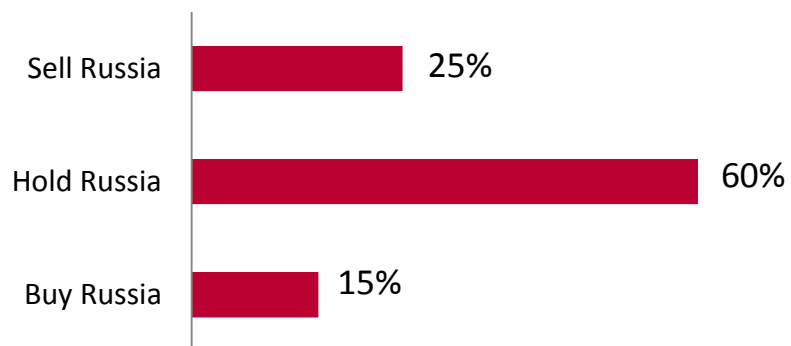
✓ **Free Float is 18%**, shares traded on MOEX

✓ **More than 150 investors** met annually

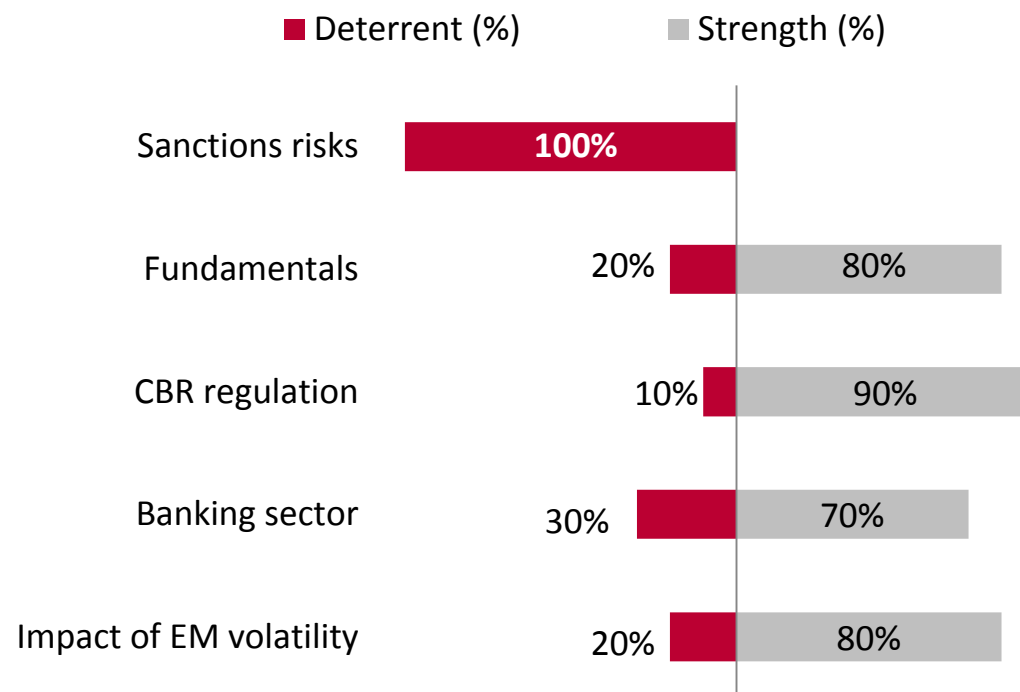
✓ Frequent visitor of all most popular debt and equity conferences

✓ Quarterly results conference calls

Investor sentiment*



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



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