

Net Interest Income

Net interest income has historically been the largest component of the bank's operating income.

For the year ended 31 December 2019, net interest income before charge for credit losses decreased by RUB 3.1 bln, or 6.5%, to RUB 45.3 bln from RUB 48.4 bln for the year ended 31 December 2018.

MKB's net interest margin was 2.2% and 2.6% as of 31 December 2019 and 2018, respectively. MKB's net interest margin was 2.6% and 2.2% as of 31 December 2019 and 2018, respectively. The net interest margin narrowed consistently in 2018 and 2019 because interest income rose by 6.8% and interest expense by 14.0% in 2019, due to accelerated growth of retail deposits and repricing of large corporate deposits in the first half of 2019.

Indicator, RUB bln	2019	2018
Interest income	147.4	137.9
Interest expense	(102.1)	(89.5)
Net interest income before charge for credit losses	45.3	48.4
Net interest margin	2.2%	2.6%

Charge for Credit Losses

Loan impairment provisions and charge for credit losses are the main indicators of the bank's loan portfolio quality and reflect its approach to risk management.

For the year ended 31 December 2019, MKB recognised a charge for credit losses on loans to customers of RUB 7.7 bln, an increase of RUB 0.35 bln, or 6%, from RUB 7.3 bln for the year ended 31 December 2018. The slight increase in the charge for credit losses on loans to customers is attributable to a more active development of consumer lending in 2019. The preservation of the loan portfolio quality was also evidenced by the cost-of-risk ratio, which was as low as 1.0% at end-2019.

Indicator, RUB bln	Year ended 31 December	
	2019	2018
Charge for credit losses on loans to customers:		
Loans to corporate customers	3,753	6,009
Auto loans	(19)	(13)
Mortgage loans	(144)	(60)
Credit cards	189	45
Consumer loans	3,960	1,296
Total loans to individuals	3,986	1,268
Total charge for credit losses on loans to customers	7,739	7,277
Cost of risk	1.0%	1.0%