

PRESS RELEASE

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CREDIT BANK OF MOSCOW'S 2012 IFRS net income up by 48.7% to RUB 5.8 bln compared to 3.9 bln in 2011

CBM has summed up its 2012 performance under the international financial reporting standards (IFRS).

Key results

- CREDIT BANK OF MOSCOW'S 2012 IFRS net income grew 48.7% compared to 2011 and amounted to RUB 5,778 mln (\$185.9 mln).
- The Bank's assets rose 32.9% yoy reaching RUB 308,727 mln (\$10,164.6 mln).
- The loan portfolio expanded by 26.5% yoy to RUB 201,235 mln (\$6,625.5 mln).
- NPL ratio (loans overdue more than 90 days) decreased to 1.0% in 2012 from 1.1% in 2011, loan loss provisions remained at 2.3% of the total portfolio.
- The Bank shows strong operational efficiency with 17.8% return on equity and 2.1% return on assets.
- The cost-to-income ratio remains steadily low at 40.5% as of 2012 year-end.
- The Bank's equity augmented by 53.4% in 2012 up to RUB 39,292 mln (\$1,293.7 mln).
- The Bank's capital as defined by the Basel committee grew in 2012 by 52.6% to RUB 44,996 mln (\$1,481.5 mln), with the capital adequacy ratio of 15.8%.

Assets grew by 32.9% yoy to RUB 308,727 bln. According to *the Rating of Russian Banks: Results of 2012 (RBC.Rating)*, CREDIT BANK OF MOSCOW is rated 19th by net assets (compared to 21st as of 2011).

The Bank's net income reached RUB 5.778 bln as of 2012 exceeding by 48.7% its 2011 income (RUB 3.886 bln). Return on equity (**ROAE**) lowered from 19.7% to 17.8%, while return on assets (**ROAA**) rose from 2.0% to 2.1%.

Operational income increased 48.9% compared to 2011 reaching RUB 15.8 bln. Operational expenses grew 51.5% to RUB 6.4 bln. The expenses mainly grew because of the Bank's developing infrastructure, higher rentals for offices, ATMs and payment terminals, as well as increasing number of staff in the retail business segment. **Operational efficiency** remained high in 2012 with CTI ratio of 40.5% versus 39.8% the year before.

Net interest income rose 40.3% to RUB 12.241 bln driven by the expanding loan portfolio. Owing to the higher portion of high-return retail products in the Bank's portfolio, **interest margin** grew to 5.2%, which is 0.2 percentage points more than last year.

Fee income soared by 39.8% compared to 2011 and amounted RUB 4.106 bln, of which more than RUB 1 bln (24.4%), RUB 852 mln (20.8%) and RUB 770 mln (18.8%) are attributable to cash collection fees (33.8% growth compared to the last year), settlement operation fees (11.5% growth) and loan insurance arrangement fee (261.5% growth respectively).

In terms of cash collection, CREDIT BANK OF MOSCOW services not only its own network and clients, but also other financial institutions and their clients. In 2012, the number of cash collection points rose by 2,350 and reached the total of 8,833. Thirty new cash collection itineraries were put in place bringing their total number to 152.

Loan portfolio, representing 65.2% of the Bank's assets, expanded by 26.5% in 2012 after impairment provisions and reached RUB 201.2 bln as of the reporting date. The corporate loan book rose 17.1% to RUB 152.5 bln, while the retail loan book soared by 69.3% up to RUB 48.8 bln, of which the general purpose consumer and POS loan portfolio went up by 81.0% from RUB 15.2 bln to RUB 27.6 bln.

The Bank rose to the 17th spot in RBC Rating's *Top 500 Banks by Loan Portfolio* as of 2012 year-end (from the 21st place in 2010).

Overdue loans ratio dropped, as compared to 2011, from 1.6% to 1.5%, the ratio of NPLs (loans overdue more than 90 days) fell from 1.1% to 1.0%. The LLP/NPL ratio grew from 208.6% to 238.9%. The ratio of impairment provisions to the total portfolio remained unchanged at 2.3%.

In 2012, the transaction volume **in trade and structured finance** grew to USD 860 mln. During the year, CREDIT BANK OF MOSCOW facilitated more than 506 transactions involving parties from 25 countries. In 2012, CREDIT BANK OF MOSCOW was recognised by EBRD as the most active issuing bank in Russia in short-term trade finance, and awarded by IFC as one of the best issuing banks in Eastern Europe under Global Trade Finance Programme.

Securities portfolio stood at RUB 37.1 bln as of end-2012, which is 49.1% more than last year. The bulk of investments are represented by highly liquid securities – 81.4% of bonds in the portfolio are included in the CBR's Lombard List.

Customer accounts and deposits rose 28.9% yoy to RUB 189.0 bln, of which term deposits increased 27.0% to RUB 157.5 bln. The retail deposit portfolio expanded by 25.4% and stood at RUB 107.0 bln.

As of 2012 year-end, the Bank was No. 15 in RBC Rating's *Top 500 Banks by Retail Deposits as of 1 January 2013*.

Liabilities. In 2012, CREDIT BANK OF MOSCOW placed two issues of exchange bonds: RUB 4 bln series BO-03 bonds with a put option in 1 year issued in April and RUB 3 bln series BO-02 bonds with put option in 1 year issued in September. Besides, RUB 3 bln 5.5-year subordinated bond issue series 11 was placed in December and the proceeds for the first time in the Bank's history were included in the additional capital.

In November 2012 CREDIT BANK OF MOSCOW received a USD 308 mln syndicated loan, its twelfth loan. The 1-year syndicated loan will pay 240 bp (2.40%) over 6-month LIBOR and its proceeds will be used to finance trade-related operations of the Bank's customers. The lead arrangers were Banc of America Securities Limited, Barclays Bank PLC, Commerzbank Aktiengesellschaft, ING Bank N.V., Landesbank Berlin AG, Raiffeisen Bank International AG, Standard Chartered Bank, VTB Bank (Deutschland) AG, and Russia-based Gazprombank (Open Joint-stock Company) and Joint Stock Commercial Bank "ROSBANK" (Open joint-stock company).

Significant subsequent events include a 5-year USD 500 mln 7.7 per cent Eurobond issue which is the largest in the Bank's history. The placement was preceded by a series of meetings with institutional investors in Hong Kong, Singapore, Zurich, Geneva, London, Boston and New York. Barclays Bank PLC, Merrill Lynch International, Raiffeisen Bank International AG and The Royal Bank of Scotland plc acted as joint lead managers and bookrunners. The bonds were issued pursuant to Rule 144A and Regulation S.

The Bank's equity as calculated under the Basel Accord increased 52.6% in 2012 reaching RUB 45 bln and the capital adequacy ratio stood at 15.8% compared to 14.4% last year. Apart from the above mentioned subordinated bond issue, CREDIT BANK OF MOSCOW's capital was increased in August 2012 by issuing additional shares to IFC and EBRD whereby each of the financial institutions acquired 7.5% in the Bank for the total price of RUB 5.8bln. The reporting period also saw the shareholder's subordinated loans converted into common stock, which additionally increased the Tier I capital by RUB 1,460 mln.

CREDIT BANK OF MOSCOW is No. 724 among the 1,000 largest banks globally by Tier I capital as defined in the Basel Accord, according to *The Banker's* ranking, and No. 18 among Russian banks in that ranking.

The Bank's infrastructural development. By end-2012, CBM's branch network comprised 60 offices and 14 operational cash desks in Moscow and the Moscow Region. CBM's branch network is ranked by RBC Rating as one of the most efficient. The Bank is number 5 among the top 50 banks by loan origination per outlet, number 8 by deposit portfolio per outlet and 9 by net assets per outlet.

ATMs grew in number from 604 (2011) to 694. The Bank's payment terminal network comprised 3,906 devices by the year-end. CBM ranked 2nd in Russia by the number of proprietary transaction & payment terminals and 6th by the number of ATMs as of 1 January 2013 (RBC Rating).

In December 2012 CREDIT BANK OF MOSCOW and Alfa-Bank united their ATM networks, and in March 2013 they united their payment terminal networks. The united network now counts 6,700 machines: 2,700 ATMs and 4,000 payment terminals, and currently is one of the most developed networks of payment facilities in the Russian banking market.

The Bank continuously increases the issue of plastic cards: in 2012 their number grew by 42% from 603,700 to 857,700 cards.

Ratings

CREDIT BANK OF MOSCOW's strong positions in the Russian and international markets are confirmed by the leading rating agencies:

- Fitch Ratings – Issuer Default Rating of "BB-", Short-Term IDR of "B", Viability Rating of "bb-", Support Rating of "5", National Long-Term Rating of "A+ (rus)", stable outlook;
- Moody's – long-term global & local currency deposit rating at "B1/NP", financial strength rating "E+", long-term national scale credit rating at "A2.ru", stable outlook;
- Standard & Poor's – "B+" long-term credit rating, "B" short-term credit rating, "ruA+" Russia national scale rating, positive outlook;
- RusRating – international scale credit rating at "BBB+", national scale credit rating at "AA+", stable outlook.

During 2012 Fitch Ratings and RusRating upgraded the Bank's ratings by one notch, Moody's affirmed its ratings, while Standard and Poor's upgraded its rating outlook in March 2013.

The Bank's 2012 key financial results

Key financials	2012, RUB mln	2011, RUB mln	change, %
Assets	308,727	232,371	32.9
Liabilities	269,435	206,763	30.3
Capital (Basel)	44,996	29,480	52.6
Loan portfolio (after provisions)	201,235	159,020	26.5
NPLs (loans overdue by more than 90 days)	1,967	1,765	11.5
	2012, RUB mln	2011, RUB mln	change, %
Net income	5,778	3,886	48.7

Net interest income (before provisions)	12,241	8,724	40.3
Fees and commissions income	4,106	2,937	39.8

Key financial ratios, %	2012YE	2011YE
Capital adequacy ratio (CAR)	15.8	14.4
90+ NPL ratio (before provisions)	1.0	1.1
LLP / 90+ NPL ratio	238.9	208.6
Net interest margin (NIM)	5.2	5.0
Cost-to-income ratio (C/I ratio)	40.5	39.8
Return on equity (ROE)	17.8	19.7
Return on assets (ROA)	2.1	2.0

Background details

CREDIT BANK OF MOSCOW was founded in 1992. It holds general license No. 1978 issued by the Bank of Russia.

As at YE2012 the Bank is ranked 19th among Russian banks by assets (RBC.Rating).

CREDIT BANK OF MOSCOW is a universal commercial bank providing the full range of banking services. The Bank focuses on Moscow and the Moscow Region.

The Bank has been covered by the Russian Deposit Insurance System since 2004.

85% of the shares in CREDIT BANK OF MOSCOW are held by "ROSSIUM Concern", LLC beneficially owned by Mr. Roman Avdeev.

7.5% of the shares are held by the European Bank for Reconstruction and Development, 2.9% by International Finance Corporation (IFC) and 4.6% by RBOF Holding Company I, Ltd., (100% owned by IFC Russian Bank Capitalization Fund belonging to the same group of companies as IFC).

Bank's Ratings (M/S&P/F) B1/B+/BB-.

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