

## PRESS RELEASE

**15.09.2011**

### **CREDIT BANK OF MOSCOW'S 1H 2011 IFRS net income up by 47.4%, compared to 1H 2010, to RUB 1,859 mln**

**CBM has summed up its 1H 2011 performance under the international financial reporting standards (IFRS).**

#### **Key results**

- CREDIT BANK OF MOSCOW'S 1H 2011 IFRS net income grew by 47.4% compared to 1H 2010 and amounted to RUB 1,859 mln (\$66.2 mln).
- The Bank's assets rose by 23.2% by the mid-year reaching RUB 203,906 mln (\$7,263 mln).
- The loan portfolio expanded by 41.9% from the year start to RUB 147,390 mln (\$5,250 mln).
- NPL ratio (loans overdue by more than 90 days) was 0.9% against 1.5% as of the last year and loan loss provisions decreased from 2.6% to 2.3% of the total portfolio.
- The equity soared by 71.8% from the year start up to RUB 23,653 mln (\$842 mln).
- The Bank shows strong efficiency with 19.9% return on equity and 2.0% return on assets.
- The cost-to-income ratio remains steadily below 40% standing at 39.6% as of 1H 2011.
- Capital calculated under the Basel Accord increased by 34.1% in the 1H reaching RUB 27,329 mln (\$973 mln), the capital adequacy ratio being 15.2%.

**The Bank's net income** reached RUB 1,859 bln as of 1H 2011 exceeding the 1H 2010 net income (RUB 1,261 bln) by 47.4%. The ROAE stood at 19.9% and the ROAA at 2.0%. This is still mainly driven by operational cost control and growing revenues backed by the expanding business.

**Net interest income** soared by 52.2% to RUB 3.874 bln. The **interest margin** has slightly tightened (4.8% in 1H 2011 vs. 5.6% as of end-2010), but remained at a relatively high level for the industry, while strict cost control kept the **operational efficiency** in 1H 2011 at the traditionally high level of 39.6%.

**The Bank's fee and commission income** rose by 41.0% compared to 1H 2010 reaching RUB 1,139 bln (21.1% of the Bank's operational income) of which 29.4% is generated by the cash collection services, 27.7% by settlements and wire transfers, and 19.8% by issuance of guarantees and letters of credit.

The Bank retains leading positions in cash collection. CBM not only services its own network and its clients, but also provides cash collection services to other financial institutions and their clients. In 1H 2011, the number of cash collection points rose by 644 and reached the total of 5,397. Nine new cash collection itineraries were put in place bringing their total number to 105.

According to a survey made by Interfax-CEA in July 2011, CREDIT BANK OF MOSCOW is number 3 in the metropolitan cash collection market, its business volume being second only to such specialised carriers as Rosinkas and Inkakhran. On the national scale, CBM ranks the 4th largest cash collector.

**Assets** grew by 23.2% during the reporting period to RUB 203.91 bln. The RBC Rating's *Top-500 Banks by Net Assets as of 1 July 2011* lists CBM as number 20 by assets (compared to number 34 in the 1H 2010 ranking). Furthermore, CBM is now one of Russia's top 10 privately-owned banks without foreign capital.

**The Bank's loan portfolio** after impairment provisions expanded by 41.9% in 1H 2011 and reached RUB 147.4 bln as of the reporting date. The corporate loan portfolio grew by 43.4% to RUB 123.77 bln and the retail loan portfolio by 34.8% to RUB 23.6 bln, with the general purpose consumer loan portfolio having more than doubled from RUB 4.9 bln to RUB 11.2 bln.

CBM rose to the 18th spot in RBC Rating's *Top-500 banks by loan portfolio as of 1 July 2011* (from the 24th place as of HY2010).

In 1H 2011, the Bank remained active in **trade and structured finance**. The transaction volume in that period more than doubled compared to 1H 2010 and reached \$414 mln. CBM facilitated more than 190 transactions involving counterparties from 25 countries of the world.

In May 2011 CREDIT BANK OF MOSCOW received IFC's Award of Recognition "Most Active GTFP Issuing Bank in Eastern Europe in 2010". The EBRD also declared CBM the most active issuing bank in Russia in short-term trade transactions in 2010.

Also in August 2011, the EBRD raised the TFP limit for CBM by \$33 mln from \$67 mln to \$100 mln, the former limit having been fully utilised by the Bank to finance export/import deals.

**Overdue loans ratio** dropped, as compared to 2010, from 2.0% to 1.4%, the NPL ratio (loans overdue by more than 90 days) fell from 1.5% to 0.9%. Furthermore, as contrasted to 2010, provision coverage ratios also improved: the ratio of provisions to loans overdue by 1 day or more grew from 128.0% to 163.5% and the ratio of provisions to loans overdue by more than 90 days from 171.6% to 256.3%.

**The securities portfolio** that accounts for 11.7% of the Bank's assets reached RUB 23.9 bln as of 1H 2011. The bulk of investments were made in highly liquid securities listed in the CBR's Lombard List (89.6% of the securities portfolio in 1H 2011).

**Retail accounts and deposits** rose by 35.6% to RUB 68.8 bln in 1H 2011 (33.7% of the total liabilities & equity). In particular, term deposits increased by 35.7% to RUB 65 bln.

The Bank rose to the 15th spot in RBC Rating's *Top-500 banks by retail deposits as of 1 July 2011* (from the 21th place as of 1H 2010).

### **Liabilities.**

Since the beginning of 2011, CBM has repeatedly confirmed its market positions and its reputation as a reliable borrower. In 1H 2011, the Bank fully redeemed its RUB 2 bln bond issue series 04 and performed its buy-back obligations under the bond issue series 05.

Also in August 2011, the Bank repaid the \$30 mln A Tranche of the EBRD-led \$100 mln A/B syndicated loan raised in August 2008 and split in a 3-year \$30 mln A Tranche, a 1.5-year \$29.5 mln B1 Tranche and a 1-year \$40.5 mln B2 Tranche. The lead arrangers of the B Tranche were Commerzbank AG, Raiffeisen Zentralbank Osterreich, UniCredit and Wachovia.

In 1H 2011, CREDIT BANK OF MOSCOW successfully placed three issues of exchange bonds series BO-01, BO-04 and BO-05 for RUB 3 bln, RUB 5 bln and RUB 5 bln, respectively. Each of the issues has a 3-year maturity, while the bonds series BO-05 are not subject to any buy-back options. CBM's bond issues are highly popular with investors: the demand for the bond series BO-01 exceeded the offering by 4 times and for the bond series BO-04 by 2 times.

Important subsequent events include a 3-year \$200 mln 8.25% p.a. Eurobond successfully placed by CBM at par in July 2011. Despite the unstable market situation, it went 25% oversubscribed. More than two thirds of the issue was placed outside the Russian Federation, the key investors being financial institutions from the UK, Ireland, Switzerland, Austria, Germany, Baltic and Asian countries.

Apart from that, in August 2011, Black Sea Trade and Development Bank (BSTDB) granted a 6-year \$30 mln credit facility to CREDIT BANK OF MOSCOW. The facility is intended to develop the Bank's SME lending programmes and is the sixth facility provided by international financial organisations for that

purpose. In the aggregate, the Bank raised around \$100 mln from international financial organisations for the purposes of SME financing.

**The Bank's equity** as calculated under the Basel Accord increased by 34.1% during the reporting period reaching RUB 27,329 mln and the capital adequacy ratio was 15.2 compared to 13.6% as of the last year. In 2011, the equity was increased by the Bank's shareholder with a \$35 mln subordinated loan and the RUB 4.5 bln additional ninth issuance of common registered uncertified shares. The strong support from the Bank's shareholder (2010 saw RUB 6 bln subordinated loans provided by the shareholder to underpin the Bank's capital) ensures high capital adequacy levels for further business development.

In July 2011 CREDIT BANK OF MOSCOW was for the first time listed in TOP-1000 World Banks by Basel Tier I Capital by The Banker as of end-2010 and ranked 822nd.

**The Bank's infrastructural development.** As of 1H 2011, CBM's branch network included 53 offices in Moscow and the Moscow Region. The number of ATMs increased from 402 (2010) to 466 and the number of payment terminals from 1,737 to 2,526. Also, as of the end-2010 CBM ranked 3rd among Russian banks by the number of proprietary cash-in payment terminals (*Banking Review* journal) and 14th by the number of proprietary ATMs in Moscow (RBC Rating).

In 1H 2011, the Bank actively developed its remote service system and fee businesses in the retail segment. CBM increased its plastic card issuance by 28.1% from 389,200 in 2010 to 498,600 cards in 1H 2011.

### Ratings

The Bank's strong positions in the Russian and international markets are confirmed by the leading rating agencies: Fitch Ratings – Issuer Default Rating "B+", Short-Term IDR "B", Individual Rating "D", Support Rating "5", National Long-term Rating "A- (rus)", stable outlook; Moody's Investors Service – financial strength rating "B1", long-term global & local currency deposit rating "B1/NP", long-term national scale credit rating "A2.ru", stable outlook; RusRating – "BBB", stable outlook.

In June 2011, Fitch Ratings affirmed all ratings of the Bank, and in July 2011 RusRating upgraded CREDIT BANK OF MOSCOW's credit rating from "BBB-", positive outlook, to "BBB", stable outlook.

### The Bank's key financial results for 1H 2011

| Key financials                            | 1H 2011,<br>RUB mln | 2010,<br>RUB mln    | change, % |
|---|---------------------|---------------------|-----------|
| Assets                                    | 203,906             | 165,471             | 23.2      |
| Liabilities                               | 180,253             | 151,704             | 18.8      |
| Equity (Basel)                            | 27,329              | 20,386              | 34.1      |
| Loan portfolio (after provisions)         | 147,390             | 103,852             | 41.9      |
| NPLs (loans overdue by more than 90 days) | 1,341               | 1,628               | -17.6     |
|   | 1H 2011,<br>RUB mln | 1H 2010,<br>RUB mln | change, % |
| Net income                                | 1,859               | 1,261               | 47.4      |
| Net interest income (before provisions)   | 3,874               | 2,546               | 52.2      |
| Fee and commission income                 | 1,139               | 808                 | 41.0      |

| Key financial ratios, %           | 1H 2011 | 2010 |
|-----------------------------------|---------|------|
| Capital adequacy ratio (CAR)      | 15.2    | 13.6 |
| 90+ NPL ratio (before provisions) | 0.9     | 1.5  |
| Net interest margin (NIM)         | 4.8     | 5.6  |
| Cost-to-income ratio (C/I ratio)  | 39.6    | 38.9 |
| Return on equity (ROE)            | 19.9    | 24.4 |
| Return on assets (ROA)            | 2.0     | 2.4  |

**For reference**

CREDIT BANK OF MOSCOW was founded in 1992. It holds general license No. 1978 issued by the Bank of Russia. The Bank is ranked 20th by net assets among the top 500 Russian banks as of 1 July 2011 according to RBC Rating. CREDIT BANK OF MOSCOW is a universal credit and financial institution providing a full range of banking services. The Bank focuses on Moscow and the Moscow Region. The Bank's network includes 53 branches, 466 ATMs and 2,526 payment terminals. Since 2004 the Bank has been covered by the Deposit Insurance System. CREDIT BANK OF MOSCOW's sole shareholder is "ROSSIUM Concern", LLC. The Bank's ultimate beneficial owner is Mr. Roman Ivanovich Avdeev.

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