CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (open joint-stock company)

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PRESS RELEASE

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CREDIT BANK OF MOSCOW announces strong financial results for the nine-month period of 2013 under the international financial reporting standards (IFRS)

Key results

- CREDIT BANK OF MOSCOW's nine-month 2013 IFRS net income grew 49.5% compared to the same period of 2012 and amounted to RUB 5.6 bln ($173.9 mln).
- The Bank's high operational efficiency is evident in the return on equity (17.3%) and return on assets (2.1%).
- The Bank's assets grew by 29.8% ytd reaching RUB 400.8 bln ($12,391.0 mln).
- Gross loan portfolio expanded by 45.0% ytd to RUB 298.6 bln ($9,232.5 mln).
- The NPL ratio (90+ days) remains healthy at 1.2%.
- The cost-to-income ratio decreased in the reporting period from 40.5% as of year-end 2012 to 33.0%.
- The Bank's equity grew by 20.6% ytd up to RUB 47.4 bln ($1,465.5 mln).
- The capital calculated under the Basel Accord increased 53.0% in 9m 2013 reaching RUB 68.8 bln ($2,128.5 mln), the capital adequacy ratio being 18,0%.

"In the reporting period, the Bank demonstrated high efficiency and strong, sustainable growth, which together with a successfully completed transaction on the additional issue of ordinary shares supports the Bank's strategic plans for further development", - said Eric de Beauchamp, Chief Financial Officer.

The Bank's 9-month 2013 key financial results

Statement of financial position	**3Q 2013, RUB mln**	**2012YE, RUB mln**	**change, %**
Assets	400,789	308,727	29.8
Liabilities	353,385	269,435	31.2
Equity (Basel)	68,846	44,996	53.0
Gross Loan portfolio	298,626	205,933	45.0
NPLs (loans overdue by more than 90 days)	3,465	1,967	76.2

Statement of income	**9m 2013, RUB mln**	**9m 2012, RUB mln**	**change, %**
Net income	5,626	3,762	49.5
Net interest income (before provisions)	11,815	8,843	33.6
Fees and commissions income	5,090	2,924	74.1

Key financial ratios, %	**9m 2013**	**2012YE**
Basel capital adequacy ratio (CAR)	18.0	15.8
90+ NPL ratio (before provisions)	1.2	1.0
Loan loss provision / 90+ NPL ratio	236.5	238.9
Net interest margin (NIM)	5.0	5.2
Cost-to-income (CTI) ratio	33.0	40.5

Return on equity (ROAE)	17.3	17.8
Return on assets (ROAA)	2.1	2.1

The Bank's capitalisation was strengthened significantly by retained earnings and an additional share issue, as well as a domestic subordinated bond issue and a subordinated Eurobond issue. Regardless of the Bank's focus on the capital structure strengthening in the reporting period, the Bank kept its return on equity (**ROAE**) at a sound 17.3%, and its return on assets (**ROAA**) at the level of 2.1%.

In 9m 2013, **operating income** (net of accrued impairment provisions) grew significantly faster than **operating expenses** (net of accrued impairment provisions): compared to 9m 2012, the former increased significantly, by 50.3% reaching RUB 17.1 bln, while the latter increased by 12.5% to RUB 5.6 bln. Operating income grew largely due to the expanding lending operations and increasing fee and commission income. **Operational performance** improved significantly in the reporting period, with cost-to-income (CTI) ratio reaching a strong level of 33.0%.

Net interest income showed a healthy growth of 33.6% in the reporting period compared to the same period of 2012 and amounted RUB 11.8 bln. An increase of lending business volume is a fundamental reason for this growth. **Net interest margin** remains at a comparatively high level for the industry thanks to the consistent high efficiency of business totalling 5.0%.

The Bank's **fees and commissions income,** increased by 74.1% compared to 9m 2012, reaching RUB 5.1 bln, of which 34.0% is attributable to loan insurance arrangement fees (growth by more than 200%), 16.9% to cash handling fees (growth by 21.4%), 16.4% to settlement operation fees (growth by 34.2%) and 15.4% to guarantees and letters of credit issuance fees (growth by 26.7%).

In terms of cash handling, CREDIT BANK OF MOSCOW services not only its own network and its corporate customers, but also other financial institutions and their clients. As at 3Q 2013, the number of cash handling points reached a total of 10,664. New itineraries were put in place bringing the total number to 181. The Bank provides cash handling services to over 850 customers, of which 33 are banks.

Gross loan portfolio demonstrated significant growth of 45.0% in 9m 2013 and reached RUB 298.6 bln as of 3Q 2013. Corporate loan portfolio grew by 38.7% to RUB 215.8 bln and retail loan portfolio by 64.4% to RUB 82.9 bln. Total loan portfolio net of provisions represents the share of 72% in total assets.

The securities portfolio was RUB 42.2 bln as of 3Q 2013, which is 13.7% larger than at year-end 2012. The portfolio is represented by highly liquid debt securities, the majority of which are on the CBR's Lombard List.

Customer deposits grew by 30.2% ytd to RUB 246.0 bln (representing 70.0% of the total liabilities). **Corporate customer accounts** increased by 44.2% mostly due to a 65.1% growth of corporate term deposits. **Retail accounts and deposits** grew by 19.4% ytd to RUB 127.8 bln (representing 36.2% of the total liabilities), also mostly due to an increase in term deposits.

Starting from year-end 2012 and to date, CREDIT BANK OF MOSCOW has been actively engaged in **debt capital markets**, placing a number of Eurobond as well as domestic bond issues.

In February 2013, the Bank placed RUB 2 bln 5.5-year subordinated bond issue series 12, the proceeds from which were included in the Bank's additional capital. That issue became the Bank's second subordinated bond issue following the debut RUB 3 bln 5.5-year bonds placed in December 2012.

Furthermore, in February 2013, the Bank placed its then all-time biggest $500 mln Eurobond issue. It pays a 7.7% coupon and has a 5-year maturity.

In May 2013, the Bank placed a $500 mln subordinated Tier II Eurobond issue with a 8.7% coupon and 5.5-year maturity. The transaction represented the first subordinated Eurobond issued by a Russian bank following the introduction of the Central Bank of Russia's latest rules on subordinated capital under Regulation No. 395-P dated 28.12.2012 "On the Method of Calculating the Amount, and Assessing the Adequacy of, the Capital of Credit Institutions ("Basel III")".

Subsequent to the reporting date, in October 2013, the Bank placed two domestic exchange bond issues totalling RUB 10 billion. The first was series BO-06, with a nominal value of RUB 5 billion with a 5-year maturity and a fixed coupon rate of 8.95% for the first 2 years of floatation. The second was series BO-07, with a nominal value of RUB 5 billion with a 5-year maturity and a fixed coupon rate of 9.1% for the first 3 years of floatation.

The Bank's capital as calculated under the Basel Accord increased by 53.0% ytd reaching RUB 68.8 bln and the capital adequacy ratio stood at 18.0%. The Bank's equity was supported by the inclusion of the proceeds from the domestic subordinated bond issue and subordinated Eurobond issue in its Tier II capital, as well as retained earnings.

In 3Q 2013 the Bank strengthened its capital structure by way of placement of its additionally issued registered shares. The issue comprised 1.8 billion ordinary shares of RUB 1 nominal value and was placed through closed subscription. The total investments exceeded RUB 7.5 bln. As reported previously, the issue was purchased by the Bank's current beneficial owners. The main beneficial owner acquired new shares by way of conversion of subordinated loans previously granted by him to the Bank.

Subsequent to the reporting date, in October 2013, shares of the Bank's minority shareholder Lamont Alley Corporation were sold to other minority shareholders: EBRD, IFC and RBOF Holding Company I, Ltd., resulting in ROSSIUM Concern, LLC still keeping 85% of the shares of the Bank, EBRD owning 7.5%, IFC — 2.9% and RBOF Holding Company I, Ltd. — 4.6%.

The Bank's infrastructural development. By the end of 3Q 2013, CREDIT BANK OF MOSCOW's branch network comprised 60 offices and 19 operational cash desks in Moscow and the Moscow Region. The Bank had over 700 own ATMs and 4,700 payment terminals. In 2013, CREDIT BANK OF MOSCOW and Alfa-Bank entered into a strategic cooperation on the integrated and combined use of their payment device network for their customers comprising in total over 2,700 ATMs and 5,000 payment terminals all over Russia. The Bank continues to increase its plastic card issuance: by the end of 3Q 2013, their number reached 1,059 thsd cards (vs 858 thsd as of YE 2012).

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 "AA- (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 "A1.ru", stable outlook;
- Standard & Poor's: "BB-" long-term credit rating, "B" short-term credit rating, stable outlook, and "ruAA-" Russia national scale rating;
- RusRating: international scale credit rating at "BBB+", national scale credit rating at "AA+", stable outlook;
- Expert RA: credit rating "A++", stable outlook.

A credit rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time.

Recent developments:

In October 2013, international rating agency Standard and Poor's upgraded the Bank's long-term credit rating to 'BB-' and Russia national scale rating to 'ruAA-' with stable outlook. The Bank's short-term credit rating was affirmed at 'B'.

In October 2013, Russian rating agency Expert RA assigned "A++" rating of creditworthiness to the Bank, the highest rating according to Expert RA's rating scale.

In November 2013, international rating agency Fitch Ratings upgraded the Bank's long-term issuer default rating and senior unsecured debt to 'BB', subordinated debt to 'BB-', viability rating to 'bb' and Russia national scale rating to 'AA-(Rus)' with stable outlook. The Bank's short-term credit rating was affirmed at 'B' and support rating at '5'.

Background details

CREDIT BANK OF MOSCOW (open joint-stock company) was founded in 1992. It holds general licence No. 1978 issued by the Bank of Russia. As of October 1, 2013, the Bank ranked 14th largest bank in Russia by net assets according to 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 beneficially owned by Mr. Roman Ivanovich Avdeev (through ROSSIUM Concern, LLC).

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).

The Bank is rated B1/BB-/BB (Moody's/S&P/Fitch).

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