CREDIT BANK OF MOSCOW

CREDIT BANK OF MOSCOW (open joint-stock company)

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28 April 2015, Moscow

CREDIT BANK OF MOSCOW announces its 2014 annual IFRS financials

Key results

- Net income amounted to RUB 5,569 mln ($99.0 mln).
- Net interest margin grew to 5.8% vs 5.2% in 2013
- Return on equity and return on assets were 10.1% and 1.1% respectively.
- Assets expanded by 28.8% to RUB 584,839 mln ($10,395.6 mln).
- Gross loan portfolio before provisions rose 24.0% to RUB 394,191 mln ($7,006.8 mln).
- The share of non-performing loans (90+ days) in the gross loan portfolio grew to 2.3% in 2014 compared to 1.3% in 2013.
- Loan loss provisions grew from 2.8% to 4.1%.
- Customer accounts and deposits rose 21.8% to RUB 334,852 mln ($5,952.0 mln).
- Equity increased by 18.4% to RUB 59,987 mln ($1,066.3 mln).
- Basel III capital increased by 27.1% to RUB 90,339 mln ($1,605.8 mln), with the capital adequacy ratio of 15.8%, and Tier I ratio of 10.5%.
- Cost-to-income ratio remained sustainably low at 33.7%.

Key financial results

Balance sheet	**2014, RUB mln**	**2013, RUB mln**	**change, %**
Assets	584,839	454,202	+28.8%
Liabilities	524,852	403,544	+30.1%
Equity	59,987	50,658	+18.4%
Capital (Basel)	90,339	71,064	+27.1%
Gross loan portfolio before provisions	394,191	317,860	+24.0%
Key financial ratios, %			
Basel capital adequacy ratio (CAR)	15.8%	14.8%	
90+ NPL ratio (before provisions)	2.3%	1.3%	
Loan-loss provisions / Gross loans	4.1%	2.8%	
Net loans / deposits	112.9%	112.4%	
Income statement	**2014,RUB mln**	**2013,RUB mln**	**change, %**
Net interest income (before provisions)	25,808	17,380	+48.5%
Fee and commission income	9,102	7,205	+26.3%
Net income	5,569	8,880	-37.3%
Key financial ratios, %			
Net interest margin (NIM)	5.8%	5.2%	
Cost-to-income ratio (CTI)	33.7%	31.2%	
Return on equity (ROAE)	10.1%	20.1%	
Return on assets (ROAA)	1.1%	2.4%	

Total assets grew by 28.8% to RUB 584.8 bln in 2014, of which cash and cash equivalents represented 20.3% as a result of the Bank's conservative liquidity management policy amid the market turbulence in late 2014

Gross loan portfolio (before provisions) stands at RUB 394.2 bln, 24.0% more than at 2013YE. The corporate loan book grew by 20.9% to RUB 265.9 bln, and the retail loan book by 31.1% to RUB 128.3 bln. The share of retail loans in the gross loan portfolio reached 32.5% compared to 30.8% as of 2013YE. Owing to the difficult macroeconomic situation, non-performing loans (NPL 90+) increased to 2.3%, whereas loan loss provisions amounted to 4.1% of the Bank's gross portfolio.

Customer accounts and deposits increased by 21.8% in 2014 to RUB 334.9 bln accounting for 63.8% of total liabilities. Corporate deposits grew by 22.1% to RUB 171.5 bln in 2014. Retail deposits increased by 21.5% to RUB 163.4 bln in the reporting period. The ratio of net loans to deposits remained at 112.9%, the same level as in 2013.

In December 2014, the Bank's **total capital** was increased by two subordinated loans totalling RUB 10 bln. A RUB 5 bln subordinated loan borrowed from the majority shareholder was subsequently converted into shareholders' equity in February 2015 and thus was factored into 2014YE tier 1 capital calculations.

The second 10.5-year RUB 5 bln subordinated loan was raised through the placement by CBOM Finance p.l.c., an Irish special purpose vehicle, of RUB 5 bln 16.5% subordinated Eurobond callable in 5.5 years.

Capital adequacy ratio calculated in accordance with Basel III grew from 14.8% to 15.8%. The Bank's total capital according to Basel III standards increased by 27.1% to RUB 90.3 bln. Tier I capital ratio rose in the reporting period from 10.2% to 10.5%.

Net income for 2014 fell to RUB 5.6 bln, a 37.3% drop compared to 2013. This decline was mainly due to the increase in loan loss provisions to RUB 11.6 bln resulting from the Bank's conservative approach to loan loss provisioning in the prevailing market conditions, and to the negative revaluation of the securities portfolio and losses from foreign exchange operations. On the other hand, the Bank demonstrated growth of **net interest income** to RUB 25.8 bln and of **net interest margin** to 5.8% on the back of a 24.0% gross loan portfolio expansion and effective assets and liabilities management actions such as timely adjustment of loan pricing, firstly for corporate borrowers, following the repeated increases in the Bank of Russia's key rate during the year. As a result, the annual **net interest income** accounted for 91% of the operating income before provisions.

Fee and commission income increased by 26.3% compared to 2013 and reached RUB 9.1 bln. The key growth drivers included plastic card fees that soared by 2.4 times to RUB 1.6 bln and the documentary credit fees that rose by 48.7% to RUB1.7 bln.

Total operating income (before provisions) in 2014 grew by 15.0% to RUB 28.2 bln. **Operating expense** grew by 21.5% to RUB 9.5 bln on the back of the Bank's business expansion with the increasing number of the Bank's offices and employees. In particular, staff costs grew by 20.8% to RUB 4.3 bln, and administrative costs, including rental and advertising costs, by 33.6% to RUB 3.6 bln. Operational efficiency remained at a high level with the cost-to-income (CTI) ratio being 33.7%.

Capital markets activity

In March 2014, the Bank raised a USD 500 mln syndicated loan facility split into two tranches due in 12 and 18 months. This loan facility is notable for being the Bank's all-time largest deal in the syndicated loan market and one of its lower priced and longer-termed transactions of that kind / for being cheaper and longer-termed than its previous transaction.

In June 2014, the Bank placed its RUB 3.7 bln debut class "A" mortgage-backed bonds due in 25 years.

In July 2014, the Bank placed two 5-year domestic exchange-traded bond issues series BO-10 and BO-11 with a face value of RUB 5 bln each. The pre-buyback semi-annual coupon rates were fixed at 10.5% p.a. for series BO-10 and 10.9% p.a. for series BO-11.

In December 2014, the Bank placed RUB 10 bln and RUB 2 bln additional issues of its exchange-traded bonds series BO-11 and BO-07, respectively. The pre-buyback semi-annual coupon rates for the additional issues were fixed at the same level as the original issues, i.e. 10.9% and 9.1% per annum, respectively. The subsequent coupon rates will be set later on.

Infrastructure development

The Bank's branch network comprising 58 offices and 31 operational cash desks in Moscow and the Moscow Region as of 31 December 2014 was recognised as one of the most efficient ones in the Russian banking sector in 2014 by Renaissance Credit. As at the reporting date, the Bank had 841 ATMs and more than 5,600 payment terminals.

Awards

- CREDIT BANK OF MOSCOW's Internet banking system "MKB Online" was awarded the 2nd place in *Internet Banking Rank 2014*, a survey of remote banking service systems made by the research agency Markswebb Rank & Report.
- CREDIT BANK OF MOSCOW was among the top five Russian financial institutions by the quality of reporting and the level of corporate governance disclosure according to a survey published in April 2014 by the Russian Integrated Reporting (IR) regional network.
- CREDIT BANK OF MOSCOW was the 2nd in a ranking of financial institutions perceived by retail customers as matching their image of the "ideal bank" according to a survey issued by RBC.research agency in June 2014.
- In July 2014 CREDIT BANK OF MOSCOW was named the Best Bank in Russia for achievements in the financial sector at Euromoney's Awards for Excellence 2014 annual ceremony.
- CREDIT BANK OF MOSCOW was named the "Bank of the Year in Russia" in 2014 at the annual ceremony "Bank of the Year Awards 2014" held by The Banker (Financial Times group) in London.
- In March 2015 banking market experts acknowledged CREDIT BANK OF MOSCOW's corporate governance system as the best in Russia giving it the highest award in RusRating's special nomination "Corporate Governance Quality".

Enquiries

CREDIT BANK OF MOSCOW

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For reference

CREDIT BANK OF MOSCOW (CBM) is one of the leading privately owned universal banks in Russia, and focuses on providing banking products and services to corporate customers and individuals in Moscow and the Moscow Region. CBM's corporate banking business is primarily focused on retail and wholesale trading corporate customers, enabling CBM to capitalize on the fast-growing Russian consumer market. CBM's rapidly growing retail business is focused on consumer loans to high quality retail customers, with a particular emphasis on cross-sales of retail products to the employees and clients of its corporate customers.

CBM offers a comprehensive range of banking services, including lending, deposit-taking, cash handling, international settlements, trade finance, guarantees and other products. By leveraging its leading cash handling service and payment terminal network, the Bank is able to monitor the cash flows and payment histories of its customers as well as, in the case of many of its retail customers, their employers, which ensures strong portfolio performance and asset quality.

According to INTERFAX-100, as at 1 January 2015, CBM is one of the top five privately owned Russian banks, measured by total assets. The Bank is currently rated BB- with a Negative outlook by S&P; B1 with a Stable outlook by Moody's; and BB with a Negative outlook by Fitch.

CBM was founded in 1992 and acquired by Mr. Roman Avdeev in 1994. Mr. Avdeev beneficially owns 86.2% of CBM's shares. The European Bank for Reconstruction and Development, International Finance Corporation (IFC) and RBOF Holding Company I, Ltd. (100% owned by the IFC Russian Bank Capitalization Fund belonging to the same group of companies as the IFC) hold 13.8% of CBM's shares and are represented on CBM's Supervisory Board alongside with four independent non-executive directors.

For more information, please visit http://mkb.ru/en/.