

Annual Report 2006



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Annual Report 2006  
CREDIT BANK OF MOSCOW

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## Mission & Values

Credit Bank of Moscow is an independent universal commercial bank. The Bank sees its mission in contributing to economic development of the Russian Federation and public welfare, meeting public demand for high quality financial services, offering as well mass as exclusive bank products based on best international and Russian practice.

### General principles:

- No political exposure or linkage to any industrial groups.
- Informational openness and transparency of business.
- Diversification of business.

### Russian economy:

- Contributing to economic development of the Russian Federation.
- Improving Russia's image in the eyes of the global business community.
- Channeling investments into Russia.

### Society:

- Contributing to the public welfare, meeting public demand for high quality financial services.
- Exclusion of any harmful or controversial businesses.

### Clients:

- Efficient delivery of service packages.
- Flexible and customised way of meeting the needs of corporate and private clients.
- Long term partnerships.

## Key Performance Indicators as of 1 January 2007

	thousand USD
Assets	1,095,199
Equity	154,335
Income	11,237
	units
Business centres and offices	35
Operation outlets	18
ATMs	72

### Licenses:

- General banking license №1978 issued by the Bank of Russia on 20.01.2000.
- Banking license for precious metals deposit-taking and placement.
- Professional securities market participant license for asset management.
- Professional securities market participant license for brokerage.
- Professional securities market participant license for dealing.
- Professional securities market participant license for depositary business.

### Professional memberships:

- State Deposit Insurance System.
- Association of Russian Banks (ARB).
- Association of Regional Banks of Russia (Association "Russia").
- Moscow Interbank Currency Exchange (MICEX).
- Moscow Stock Exchange (MSE).
- Saint-Petersburg Currency Exchange (SPCEX).
- Moscow International Currency Association (MICA).
- Russian National Association of SWIFT Members (ROSSWIFT).
- Reuters Dealing 3000.
- Bloomberg.
- Visa International (associate member).
- MasterCard International (principal member).
- Western Union.
- Authorised bank of Russian State Customs.

## Ratings

The Bank's stable and reliable position is confirmed by the leading expert publications and rating agencies.

International ratings:

### Fitch Ratings

Fitch Ratings:

**International scale:**

- 'B-' – long term
- 'B' – short term
- 'D' – individual
- '5' – support

**National scale:**

- 'BB+' – long term

**Outlook:**

Positive



Top 1000 Russian banks ranking 2006:

- 57 by assets.
- 55 by equity.
- 48 by loan portfolio.  
(27.02.2007, RBC Rating).



**Moody's Investors Service**

Moody's Investors Service:

**International scale:**

- 'B1' – long term foreign currency deposits
- 'E+' – financial strength

**National scale:**

- 'A1.ru' – long term

**Outlook:**

Positive

And also:

- 21 of the most reliable Russian banks (26.03.07, "Profile").
- 36 by assets growth (15.06.06, "Kommersant").
- 4 by mortgage lending expansion (24.07.06, "Expert").
- 19 by equity growth (18.09.06, "Expert").

## Strategy

Credit Bank of Moscow aims to provide high-quality and reliable banking services to both corporate and private customers, achieving at the same time sustainable and efficient performance. The Bank is going to enhance its presence in the financial market as a universal financial institution.

### Banking service package:

#### For large companies

- Corporate lending
- Leasing
- Factoring
- Documentary transactions
- Accounts & payments
- Foreign exchange control
- Cash collection & delivery
- Liquidity placement
- Payroll projects, acquiring
- Corporate finance

#### For SMEs

- SME finance
- Documentary transactions
- Accounts & payments
- Cash collection & delivery
- Liquidity placement

#### For private individuals

- Car finance
- Mortgage finance
- Other consumer lending
- Deposits
- Bank cards
- Payments & transfers
- Foreign exchange
- Travellers cheques
- Unit investments

## Ownership Structure

Credit Bank of Moscow is ultimately beneficially owned by a private individual Mr. Roman I. Avdeev, the Chairman of the Bank's Supervisory Board.



ROMAN I. AVDEEV

Born in 1967 in Odintsovo, Moscow region. Graduated from the Lipetsk State Technological University as a design engineer in 1996, and from the Moscow International University of Business and Information Technologies (major – banking) in 1994. Awarded a Degree in Engineering Sciences in 1999.

## Managing Board

Credit Bank of Moscow's Managing Board is an executive body in charge of operational performance and implementation of the General Shareholders' Meeting's and the Supervisory Board's decisions and the Audit Committee's recommendations.



**TIMUR N. KASTROV**

First Deputy Chairman of the Board – President

Born in 1969. Graduated from the Moscow – Lenin Order and October Revolution Order Power Institute in 1994.

With CBM since 1997. In charge of corporate business, including lending and factoring, IT and bank card business.



**SERGEY N. GUSAROV**

Deputy Chairman of the Board – President

Born in 1965. Graduated from M. Kalinin Kiev Higher Military Engineering Communication School in 1987, from the Higher School of Economics in 1995, and from the All-Russian Correspondence Financial and Economic Institute in 1997, major – Finance and Credit.

With CBM since 2001. In charge of relationships with large corporate clients and business centres.



**ANDREY G. IVANOV**

Deputy Chairman of the Board – President

Born in 1957. Graduated from the Moscow State Institute of International Relations in 1981, major – International Law.

With CBM since 1999. In charge of the development of the Bank's international business.



**ALEXANDER L. KHRILEV**

Chairman of the Board – President

Born in 1967. Graduated from the Moscow Lenin Order and October Revolution Order Power Institute in 1993, major – Thermal Physics.

With CBM since 1995. Chairman of the Board – President since August 2004, formerly First Deputy Chairman of the Board – President.



**ALEXANDER N. NIKOLASHIN**

First Deputy Chairman of the Board – President

Born in 1966. Graduated from the Saratov Higher Military Command School in 1988 and from Moscow State Social University in 2005, majors – Finance & Credit and Jurisprudence.

With CBM since 1994. In charge of the Bank's security, cash collection, retail lending, legal matters, as well as outlets and operation offices.



**ANDREY A. SHURKA**

Deputy Chairman of the Board – President

Born in 1962. Graduated from the Moscow Engineering & Physical Institute in 1986.

With CBM since 2006. In charge of the Bank's treasury, corporate finance and leasing operations.



**OLGA I. MELNIKOVA**

Chief Accountant

Born in 1965. Graduated from the Moscow Chemical Engineering Institute. In 1997 graduated from the All-Russian Correspondence Financial and Economic Institute In 1987, major – Finance and Credit.

With CBM since 1994. In charge of accounting, taxation and settlements.

## Personnel & HR Policy

**The Bank's HR policy target** is to build a high performing, professional, solidary and responsible team adaptive to changes in the external and internal business environment.

**Key objectives of the HR management system:**

- Improving performance of the staff by implementation of up-to-date managerial techniques.
- Tuning up the remuneration & motivation system.
- Facilitating professional and career development of the staff.
- Instructing and training the staff in various matters including new lines of business.

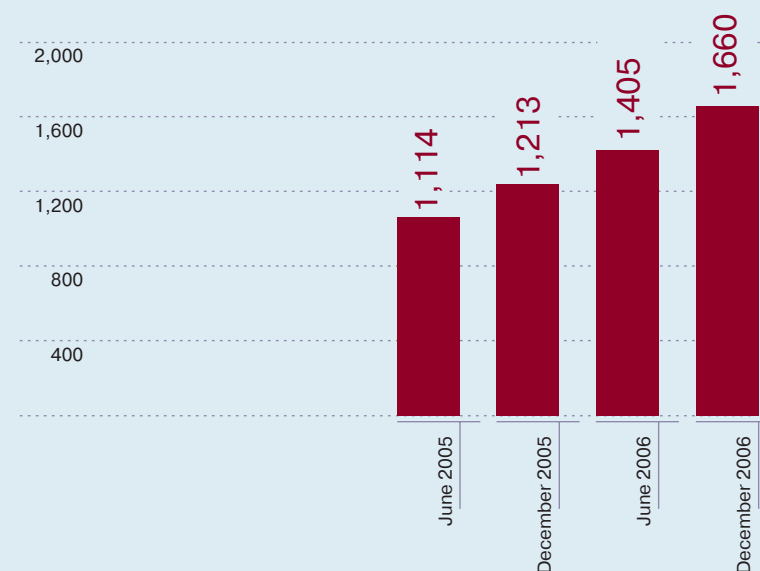
At the end of 2006 the Bank employed 1660 people, which is 37% up as compared to 2005.

**Credit Bank of Moscow's staff profile:**

- 32 years of age on average.
- 70% hold academic degrees.
- 250 people completed qualification upgrade programs of the leading educational centres of Russia.
- Over 100 graduates of the in-house Training Centre were enrolled.
- All employees get a social benefits package (including voluntary and risk medical insurance options).

- Over 65% of the middle managers have been recruited internally.
- 70% of the top managers have been with the Bank over 5 years.

### HEAD COUNT





# 2006 PERFORMANCE OVERVIEW

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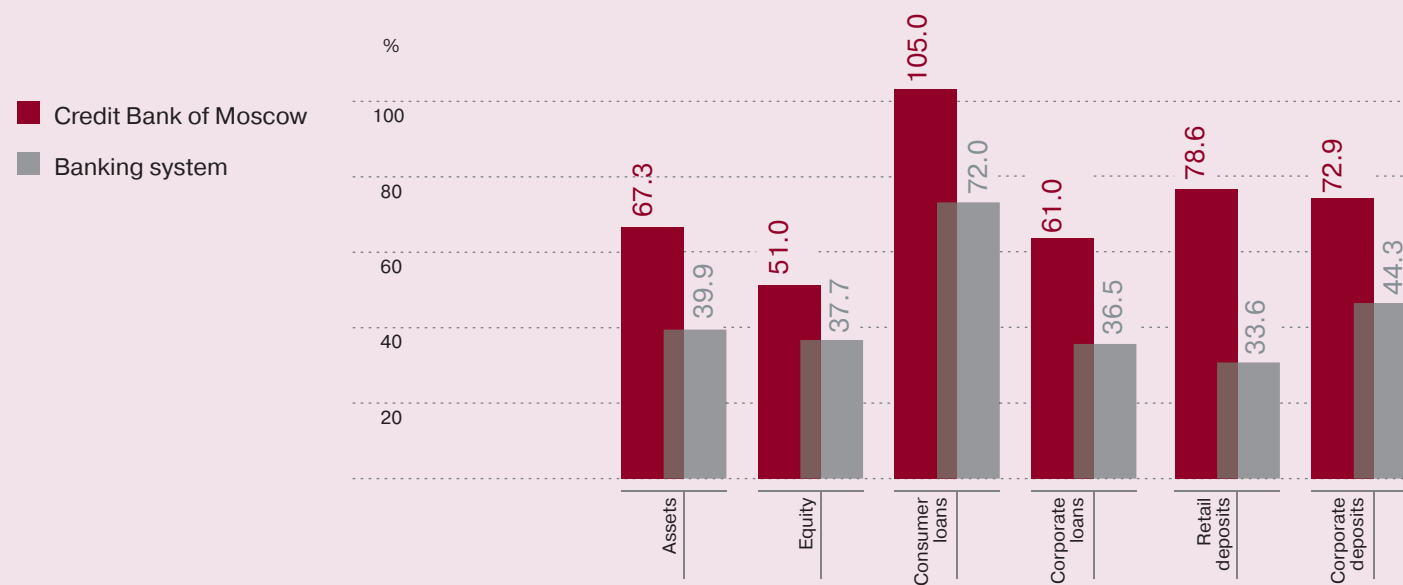
## Key Achievements of 2006

- The Bank's equity increased by its existing shareholders by more than 50%, from RUR1,573 bln to RUR2,376 bln.
- First Russian issuing bank to join IFC's Global Trade Finance Program with a USD10 mln credit limit.
- First in Russia to raise a US\$20 mln syndicated loan secured on a car loan portfolio. The deal is for 1 year with a 1 year extension option and was arranged by Standard Bank Plc and ZAO Standard Bank.
- US\$20 mln subordinated debt provided by EBRD for 7 years with a 2 year extension option.
- US\$53 mln syndicated loan arranged by Commerzbank AG and Standard Bank Plc for 1 year with a 1 year extension option closed 32.5% oversubscribed.
- DEG, the German Investment and Development Company, acceded to the EBRD's Trade Facilitation Program credit line granted to the Bank, the line amount rising to US\$33 mln.
- Inaugural RegS US\$100 mln 3 year eurobond issue placed, the notes rated 'B-'/'B1' by Fitch / Moody's.
- L/C financings from Sanpaolo IMI and Landesbank Baden-Württemberg for the aggregate amount of €7.5 mln for 5 years.
- 2<sup>nd</sup> domestic bond issue placed, the RUR1 bln (c. US\$37 mln) 3 year notes rated long term national 'BB+(rus)' by Fitch.
- Fitch Ratings changed Credit Bank of Moscow's rating outlooks from 'Stable' to 'Positive'.
- Implementation of CRM system Oracle Siebel launched to optimise customer relationship management.
- A new building bought for the Bank's head office.
- 21 points of sale deployed. 53 ATMs installed. Over 29 thousand cards issued. Over 600 more entities in for the cash collection service.

## Credit Bank of Moscow in the Russian Banking System

Credit Bank of Moscow continued its dynamic development in 2006, with its key financial performance indicators outpacing the market's averages.

### GROWTH RATES OF CREDIT BANK OF MOSCOW VS BANKING SYSTEM IN 2006



## Key Financials

Credit Bank of Moscow's accounting is governed by the Russian Accounting Standards (RAS) as provided for by the current Russian bank law. Since 2000 US GAAP financial statements have also been produced.

### Major trends of 2006:

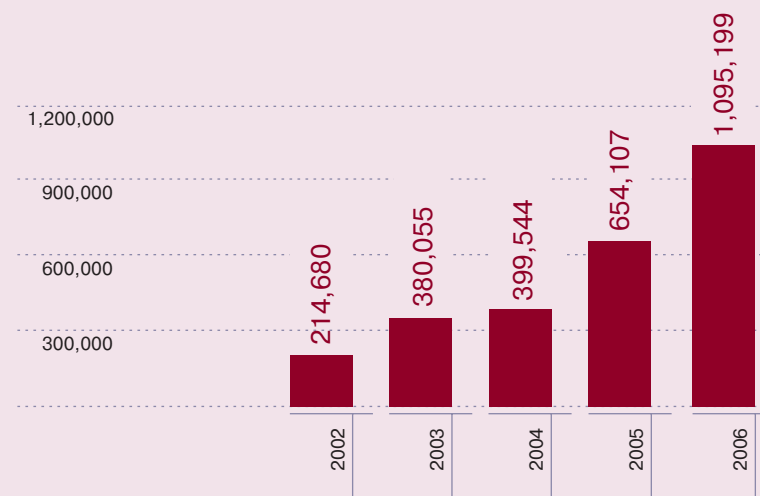
- Lengthening of liabilities.
- Diversification of funding.
- Growth of the loan portfolio and improvement of its quality.
- Record-setting expansion of factoring operations.
- Increase of the Bank's equity.
- Infrastructural expansion and increasing client base.

Key Financials, thousands of US Dollars	2002	2003	2004	2005	2006
<b>Balance Sheet Items</b>					
Total Assets	214,680	380,055	399,544	654,107	1,095,199
Loans to Customers	135,104	257,356	274,517	426,226	741,340
Deposits by Customers	81,160	133,168	125,564	229,160	401,086
Stockholder's Equity	64,206	84,473	95,450	102,720	154,335
<b>Income Statement Items</b>					
Net Interest Income	19,512	22,040	24,241	22,555	34,067
Non Interest Income	6,852	10,290	13,415	18,865	27,546
Non Interest Expense	13,390	17,857	27,287	30,996	43,762
Provision for credit impairment	(157)	(8,891)	(2,506)	3,802	(3,149)
Net Income	8,814	4,537	5,390	10,907	11,237

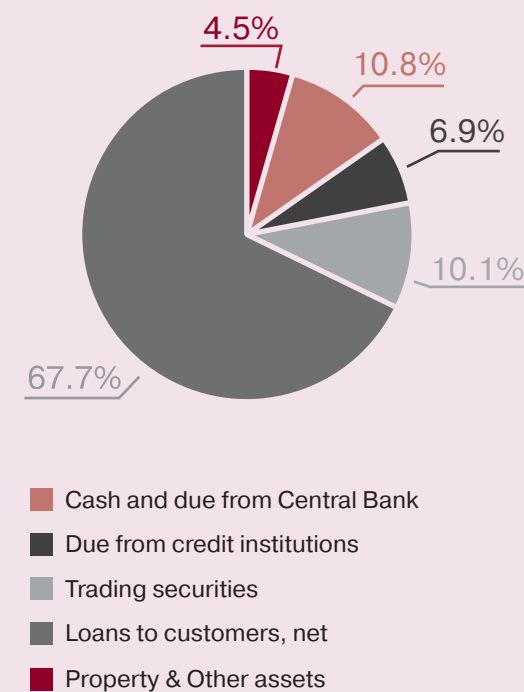
## Assets

The Bank's total assets experienced a 67% upswing in 2006 to reach US\$1,095,199 ths by the year end, the annual increment being US\$441,092 ths.

### ASSETS PERFORMANCE, thousands of US Dollars



### ASSETS COMPOSITION as of 01.01.2007

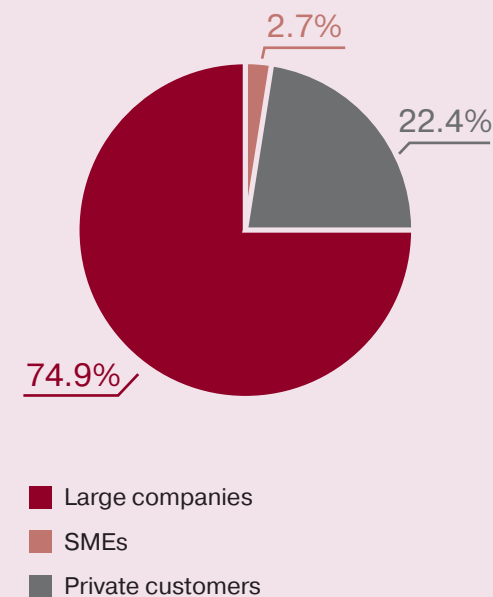
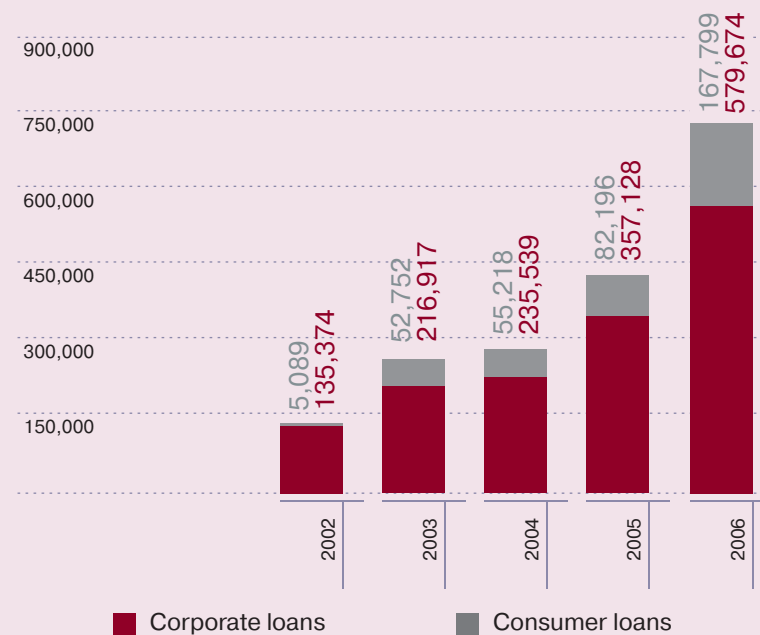


## Assets

The loan portfolio accounts for the most part of the Bank's assets. Its total volume soared by 70% in 2006, from US\$439,328 ths to US\$747,473 ths.

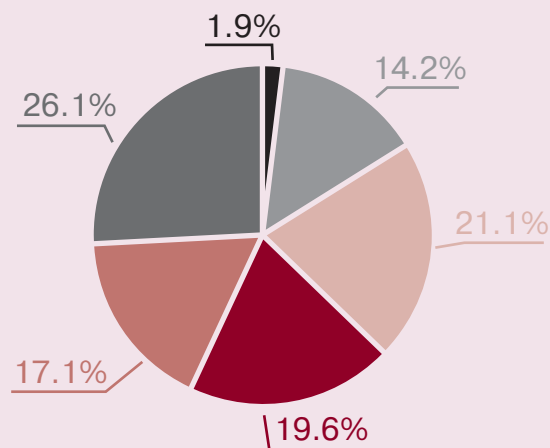
### LOAN BOOK COMPOSITION as of 01.01.2007

### LOAN PORTFOLIO PERFORMANCE, thousands of US Dollars



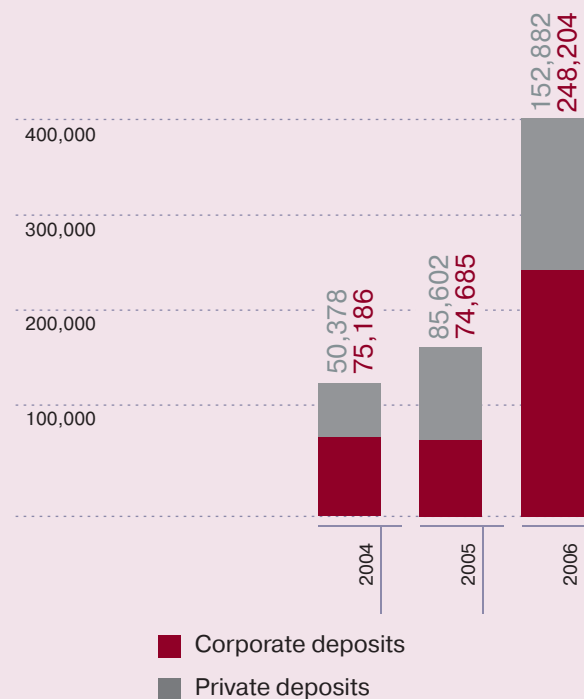
## Liabilities

LIABILITIES COMPOSITION  
as of 01.01.2007

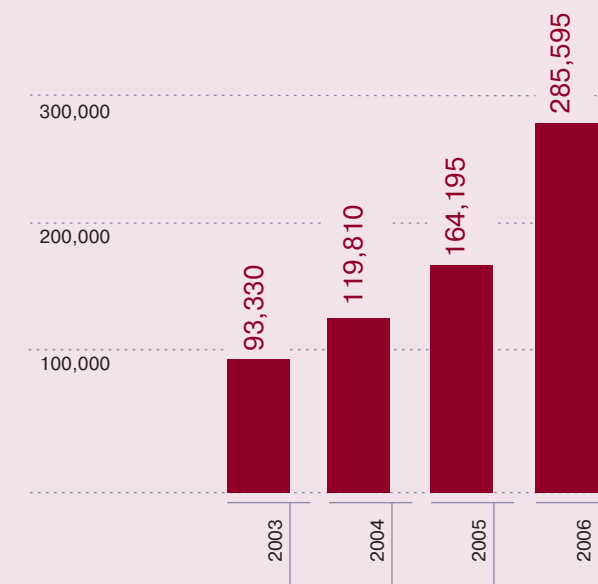


- Equity
- Deposits by credit institutions
- Deposits by customers (demand)
- Deposits by customers (time)
- Debt securities issued
- Other

DEPOSITS PERFORMANCE,  
thousands of US Dollars



DEBT SECURITIES ISSUED,  
thousands of US Dollars



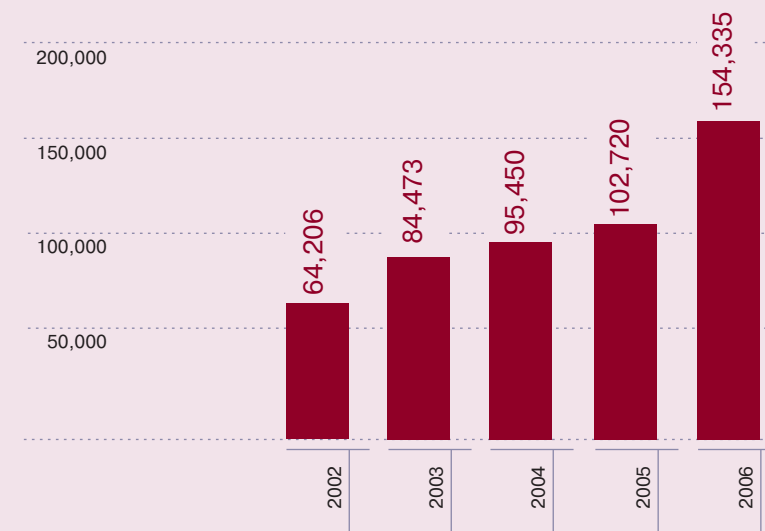
Almost all funding sources showed high rates of growth throughout 2006

## Capitalisation

- Stockholders' equity accounts for 14.2% of the Bank's liabilities.
- Capital adequacy ratio as calculated for the regulatory purposes is 16.6%, safe above the mandatory peg of 10% set by the Bank of Russia.
- Basle capital adequacy ratio is 17.7%.

The Bank's additional stock issues and the high income level resulted in its stockholders' equity rising by 51% to US\$154,335 ths as at 2006 year-end.

### EQUITY PROGRESS, thousands of US Dollars





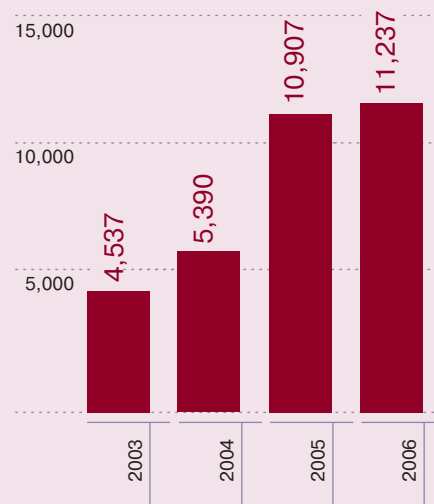
## Profitability

2006 saw the Bank's income continuing its upward trend to the point of US\$11,237 ths by the end of the year.

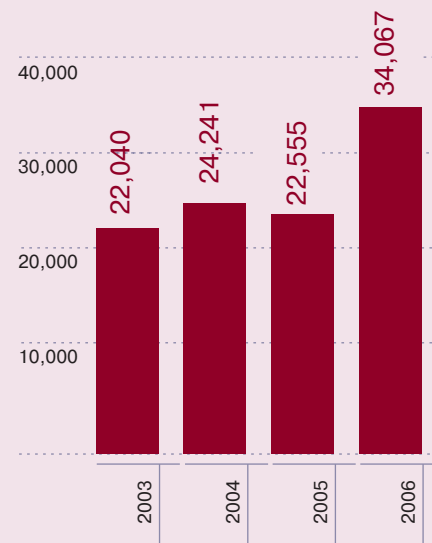
Interest income is the most important item of income for the Bank. During 2006 its net interest income soared by 51%.

Non interest income built up by 46% during 2006 driven largely by the fees and commissions income which went up by 24% and contributed 77% of the total non interest income.

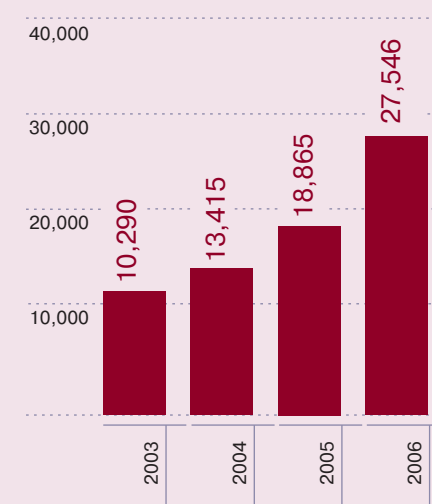
### NET INCOME PROGRESS, thousands of US Dollars



### NET INTEREST INCOME PROGRESS, thousands of US Dollars



### NON INTEREST INCOME PROGRESS, thousands of US Dollars



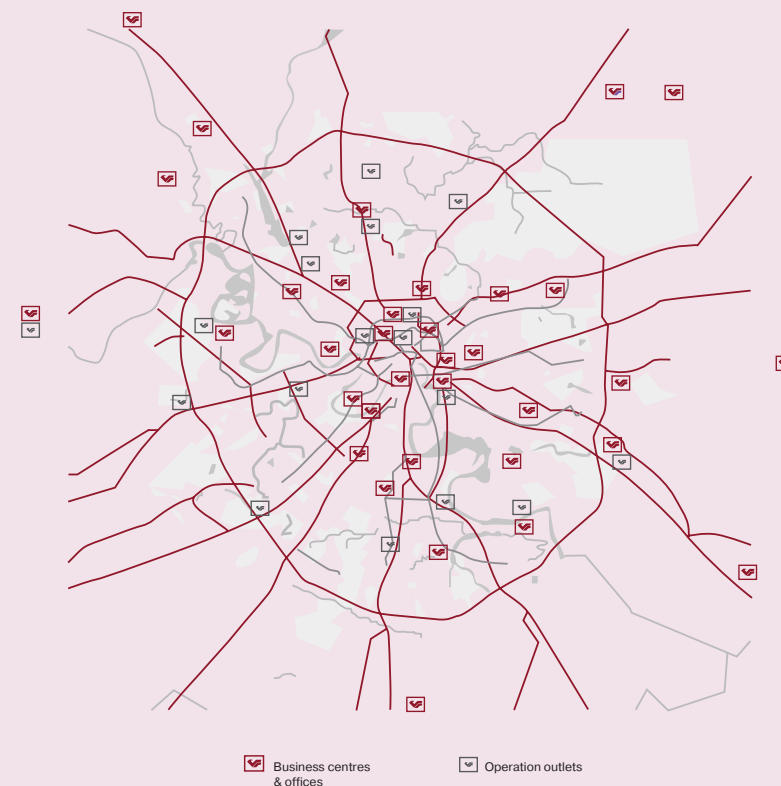
## Sales Network

Credit Bank of Moscow seeks to meet all the clients' needs and ensure maximally convenient and accessible delivery of services. To this end, the Bank continuously expands its presence.

### Outlets

	01.01.2006	01.01.2007
Business centres and offices	14	35
Operation outlets	16	18
Loan desks at car dealers	18	27
ATMs	19	72
POS terminals	572	1,026
<b>Total</b>	<b>645</b>	<b>1,183</b>

The Bank's network is being deployed in the City of Moscow and Moscow Region, with 17 new offices to be launched in 2007. The Bank considers moving to other regions of the country in the long term.



# CORE BUSINESS

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Retail Business	28
Treasury Business	35
Investment Business	37
International Business	40

## Corporate Business

### PERFORMANCE INDICATORS

Credit Bank of Moscow targets large trade and industrial companies with ramified retail networks, and SMEs.

#### Essentials of the Bank's client policy:

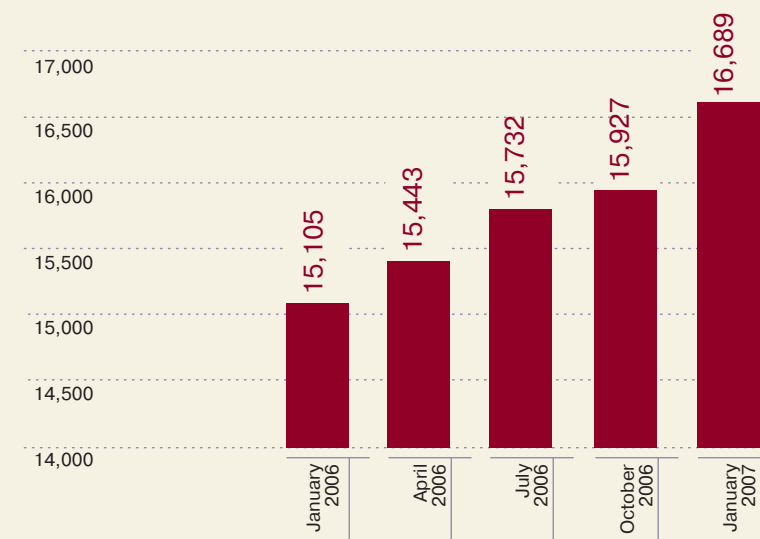
- Individual approach to each customer.
- Offering products tailored to the clients' business features.
- Comprehensive support and follow-up for clients' operations.
- Wide service network and remote access.

#### Number of corporate clients

01.01.2006	01.01.2007	Annual increment, %
15,105	16,689	11

2006 saw a sizeable expansion of the client base driven by improved quality of services, spread out office network and implemented cutting edge technologies.

### NUMBER OF CLIENTS (settlement accounts)



## Corporate Business

### ACCOUNTS & PAYMENTS

Efficient settlement system and package delivery of basic and advanced products secure maximum comfort for the Bank's customers.

#### Advantages of Credit Bank of Moscow's services:

- Qualified staff.
- Quick payments with an option of same day international settlements.
- Option of non-business day value for rouble funds.
- Extra business hours.
- Wide range of remote access tools.

#### Services:

- Rouble and foreign currency accounts.
- Wire transfers.
- Documentary transactions.
- Cash management.
- Electronic front office.
- Foreign exchange control.
- Foreign exchange.

## Corporate Business

### CASH COLLECTION

Cash collection and delivery of valuables is one of the pivotal services for many of Credit Bank of Moscow's corporate customers. Over a sequence of years, the Bank has spearheaded Moscow banking market of cash collection services.

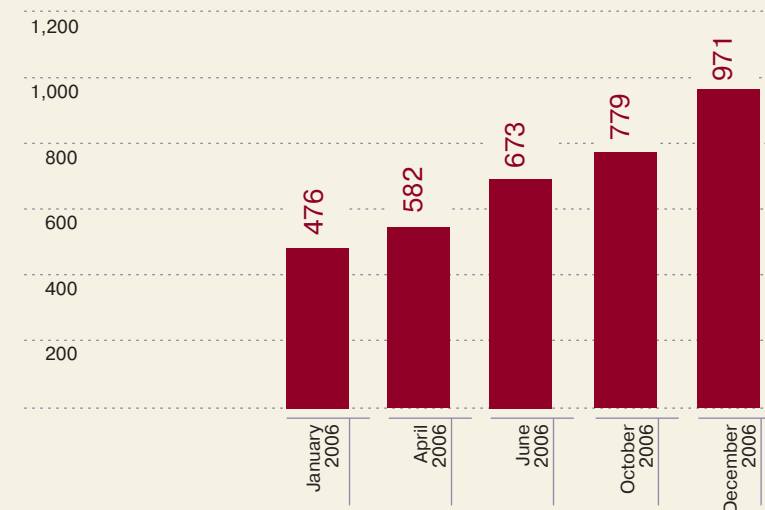
#### Competitive edge:

- Fine quality of services.
- Swiftness (cash collection agreement may be made within one day).
- Qualified staff.
- In-house fleet of armoured vehicles.
- GPS monitoring of the armoured vehicles.
- Ramified network of routes (total coverage of Moscow area).

In 2006 Credit Bank of Moscow's cash collection service delivered over RUR76 bln (US\$2.9 bln).

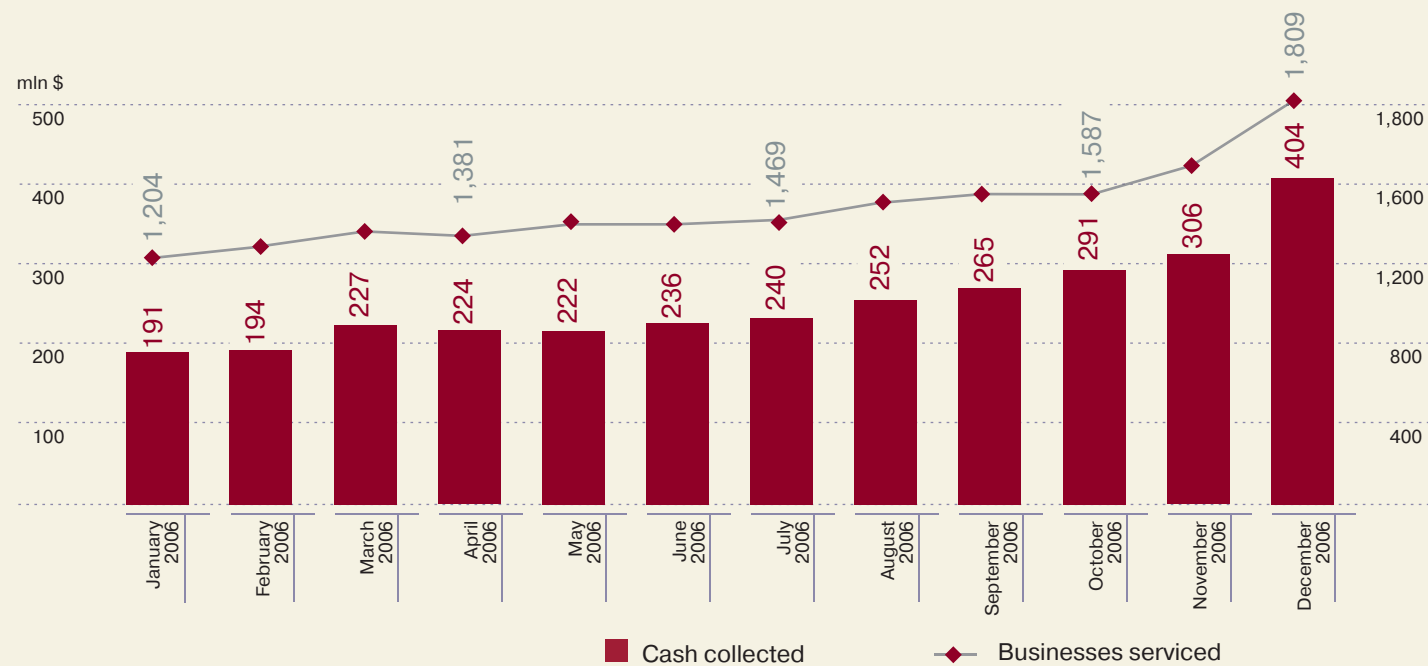
	01.01.2006	01.01.2007	Annual, increment, %
Businesses serviced	1,257	1,809	50
Cash collected, billions of US Dollars	1.7	2.9	72

### MONTHLY INCOME FROM CASH COLLECTION, thousands of US Dollars

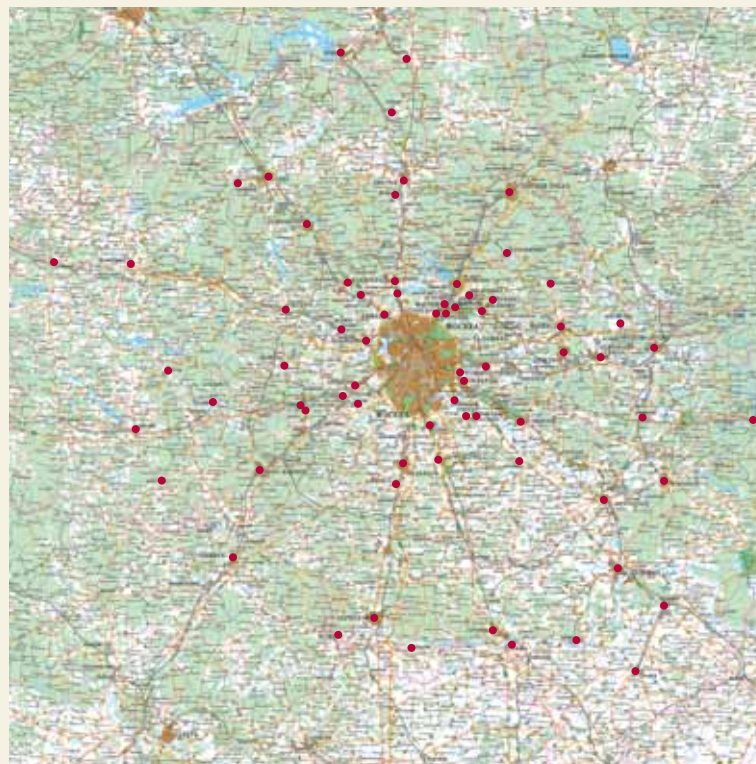


## Corporate Business

### DEVELOPMENT OF CASH COLLECTION BUSINESS IN 2006



## Corporate Business



### Network of routes:

MOSCOW, Aviagorodok, Andreevka, Aniskino, Aprelevka, Balashiha, Bronnitsy, Bykovo, Vereya, Vidnoe, Vnukovo, Volodarskogo, Volokolamsk, Voskresensk, Vysokovsk, Golitsyno, Gorki-2, Gorki-10, Dedovsk, Dzerzhinsky, Dmitrov, Dolgoprudny, Domodedovo, Dubna, Dubrovka, Yegoryevsk, Zheleznodorozhny, Zhukovka, Zhukovsky, Zaprudnya, Zaraysk, Zvenigorod, Zelenograd, Ivanteevka, Istra, Kashira, Klimovsk, Klin, Kolomna, Korolev, Krasnoarmeysk, Krasnogorsk, Krasnoznamensk, Kurovskoe, Lesnoy Gorodok, Likino-Dulevo, Lobnya, Losino-Petrovsky, Luhovitsy, Lytkarino, Lyubertsy, Mozhaysk, Mytishchi, Naro-Fominsk, Nahabino, Noginsk, Obninsk, Obuhovo, Odintsovo, Ozery, Oktyabrsky, Orekhovo-Zuevo, Osipovo, Pavlovsky Posad, Peresvet, Podolsk, Protvino, Pushkino, Pushchino, Ramenskoe, Reutov, Ruza, Sergiev-Posad, Serebryanye Prudy, Serpuhov, Solnechnogorsk, Staraya Kupavna, Stupino, Skhodnya, Taldom, Tarasovka, Troitsk, Troshkovo, Tuchkovo, Fryazino, Himki, Chernogolovka, Chehov, Shatura, Shahovskaya, Sheremetyevo, Shchelkovo, Shcherbinka, Electrogorsk, Electrostal, Electrougli, Yubileyny, Yahroma.



## Corporate Business

### CORPORATE FINANCE

#### Products offered:

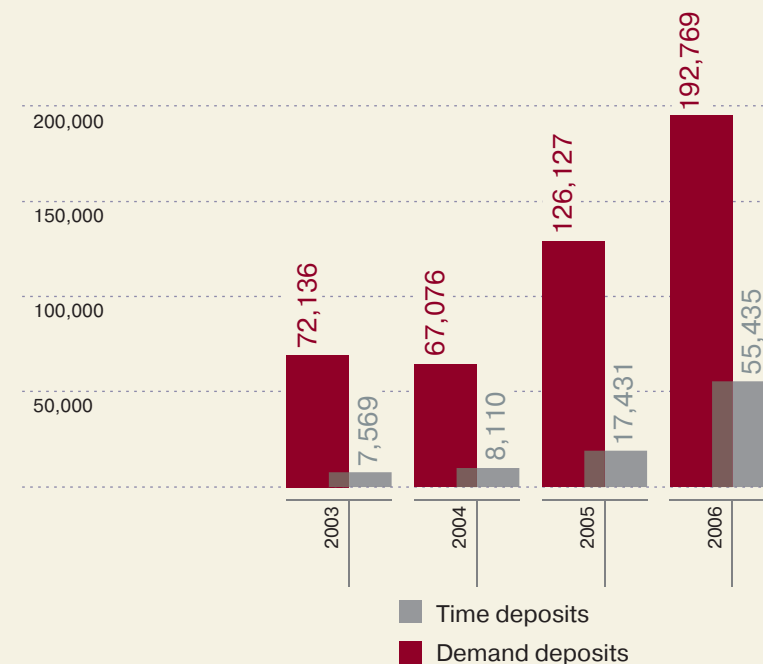
- Time deposit.
- Promissory note.
- Nominal deposit certificate.
- Irreducible account balance.

Corporate funds, one of the major funding sources for the Bank, grew by 73%, from US\$143,558 ths to US\$248,204 ths, in 2006.

#### Targeted depositors:

- Institutional investors, such as insurance companies and private funds, which invest in credit institutions to earn profit and diversify their investment risks.
- Businesses with a seasonal liquidity.
- Businesses that reserve short term (7 to 30 days) liquidity surplus to pay on delivery.

### CORPORATE DEPOSITS, thousands of US Dollars



## Corporate Business

### CORPORATE LENDING

#### Basic credit products:

- Overdraft facility.
- Loan against collected sales proceeds.
- Current account loan facility.
- Working capital finance.
- Investment loan (long term fixed assets financing).
- Internationally funded investment loan.

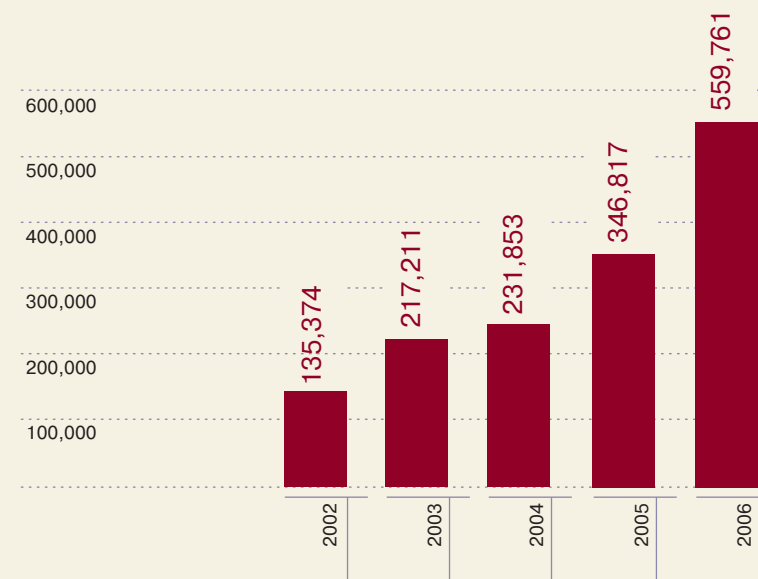
#### Competitive edge:

- Compact loan approval process.
- Affordable pricing.
- Flexible collateral policy.

During 2006, the corporate loan book expanded by 61% and reached US\$559,761 ths.

Large Moscow-based retail networks are the key market segment for the Bank's corporate lending business.

### CORPORATE LOAN BOOK, thousands of US Dollars



## Corporate Business

### Loan portfolio quality:

#### 1. Internal requirements:

- Single borrower exposure not to exceed 6% of the earning assets or 20% of the equity.
- Borrower group exposure not to exceed 15% of the earning assets or 25% of the equity.

#### 2. Diversification by borrowers as of 2006 year-end:

- 10 largest borrowers accounted for 15.6% of the outstanding portfolio.
- Single largest borrower accounted for 3.2% of the outstanding portfolio.

### 3. Sectoral diversification as of 01.01.2007:

Sector	Thousands of US Dollars	%
Consumer electronics and computers	141,771	25.3
Light industry	68,948	12.3
Construction materials	62,503	11.2
Machinery	61,866	11.1
Hygiene products and consumer chemicals	37,037	6.6
Other consumer goods	33,605	6.0
Foods	33,549	6.0
Services	30,890	5.5
Furniture	24,163	4.3
Sports goods	21,014	3.8
Paper and stationery	20,931	3.7
Medical goods	4,349	0.8
Metallurgy	1,881	0.3
Oil	358	0.1
Other	16,896	3.0
<b>Total</b>	<b>559,761</b>	<b>100</b>

## Corporate Business

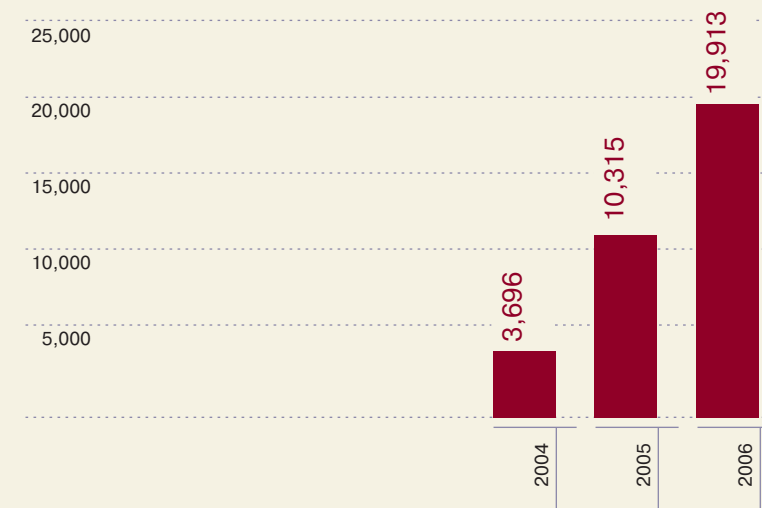
### SME Lending:

- Express loan (non-collateralised, partly or completely collateralised).
- Micro loan.
- Business loan.
- Loan secured upon commercial realty.
- Overdraft facility.
- Loan against collected sales proceeds.

Financing small and medium enterprises is one of the priority businesses for Credit Bank of Moscow. SME finance program is partly funded by the international financial institutions, International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD).

During 2006, the Bank's SME loan portfolio grew by 93% and reached US\$19,913 ths as of 01.01.2007, this being achieved through optimisation of the SME loan portfolio composition, launching quick SME loans and lengthening the loan tenors.

### SME LOANS, thousands of US Dollars



## Corporate Business

### LEASING

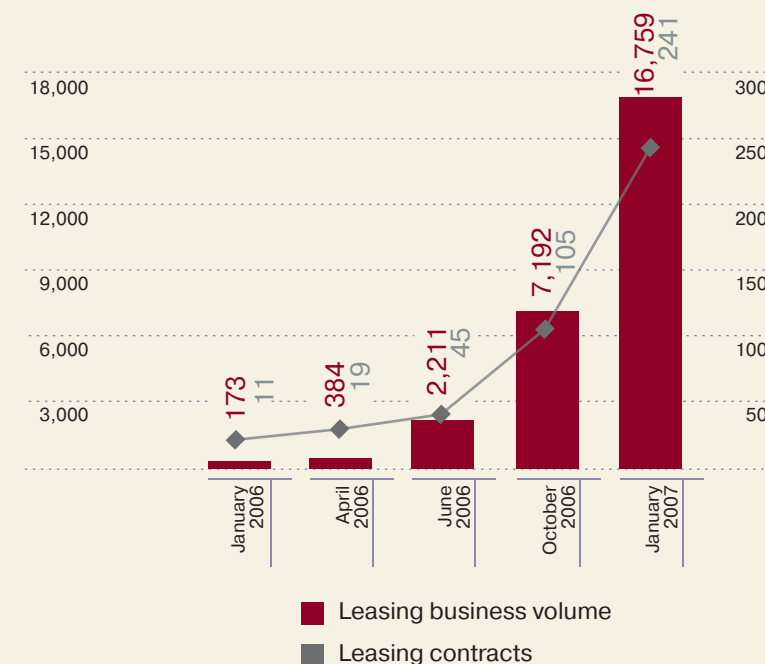
Credit Bank of Moscow provides leasing services through its subsidiary, OJSC 'MKB-Leasing' set up in autumn 2005.

#### Competitive edge:

- Extensive and stable pool of suppliers.
- Prominent reliability and execution quality.
- Quick processing of applications.
- Highly qualified team.

2006 saw a drastic growth of leasing operations. The Bank's energetic promotion of its leasing services resulted in a record setting client base expansion. There were 241 leasing contracts in place by the end of 2006, a 22-fold increase as compared to 2005.

### LEASING BUSINESS VOLUME, thousands of US Dollars



## Corporate Business

### FACTORING

Credit Bank of Moscow's factoring services are offered to its customers as a tool to leverage operations, sizeably expand business, amplify sales turnover, enter new sales markets and access regional markets.

Credit Bank of Moscow's factoring service package:

- Financing of suppliers.
- Receivables management.
- Ongoing informational and advisory support for suppliers as part of the service.

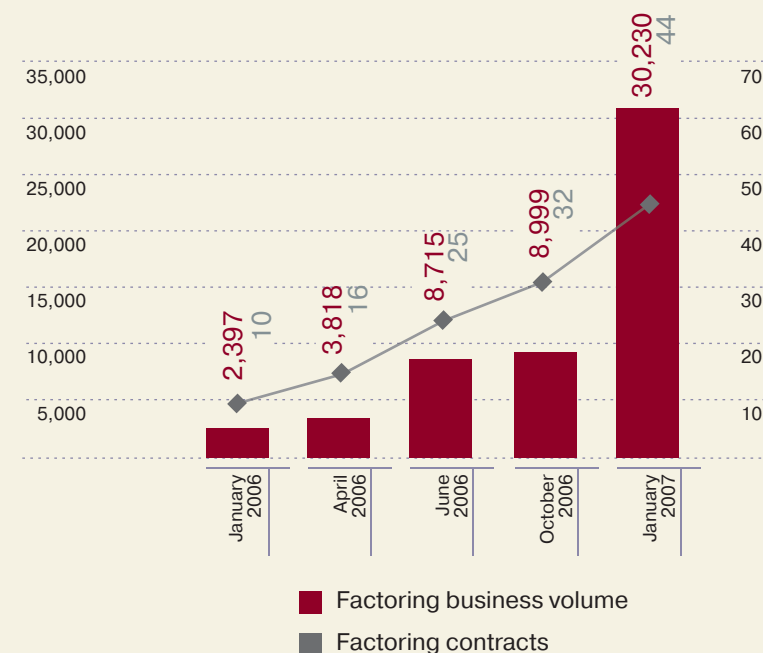
Competitive edge:

- Disbursements up to 90% of the shipment value.
- Financing of shipments to any part of Russia.
- Flexible disbursement requirements and affordable fee levels.

In 2006:

- 51 factoring agreements made.
- 48 clients representing 18,872 shipments to 340 debtors financed.
- Assigned receivables annual turnover of US\$94,945 ths reached.
- 7<sup>th</sup> position in the national factoring bank ranking achieved.

### FACTORING BUSINESS VOLUME, thousands of US Dollars



## Retail Business

### STRATEGIC AREAS FOR RETAIL BUSINESS DEVELOPMENT

#### Lending:

- Car loans.
- Mortgage loans.
- Consumer loans.

#### Services:

- Transfers.
- Payments.
- Foreign exchange.
- E-office.
- Travellers cheques.

#### Deposits:

- Rouble time deposits.
- Foreign currency time deposits.
- Special programs.

#### Cards:

- Debit cards.
- Credit cards.
- Special programs.

Clear cut strategy, competent staff and advanced technologies make the Bank one of the leading financial institutions in retail banking segment.

Private customers	01.01.2006	01.01.2007	Annual increment, %
Borrowers	11,400	16,784	47
Depositors	8,855	13,519	53

35 offices & 72 ATMs in the City of Moscow and Moscow Region

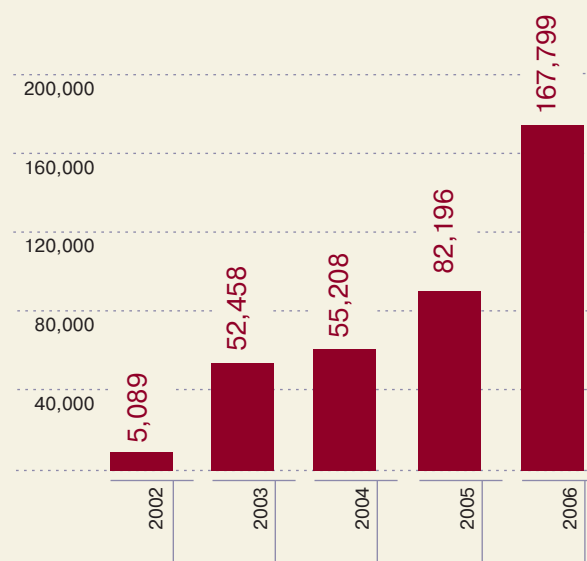
## Retail Business

### RETAIL LENDING

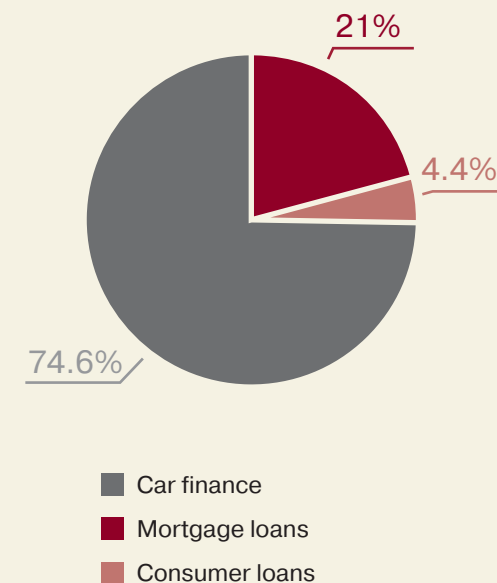
Credit Bank of Moscow is one of the leaders in the Russian retail lending market.

Portfolio, thousands of US Dollars	01.01.2006	01.01.2007	Annual increment, %
Car loans	76,695	125,161	63
Mortgage loans	1,431	35,320	2,368
Consumer loans	4,070	7,318	80

### LOAN PORTFOLIO PROGRESS, thousands of US Dollars



### RETAIL LOAN BOOK BREAKDOWN as of 01.01.2007





## Retail Business

### CAR LENDING

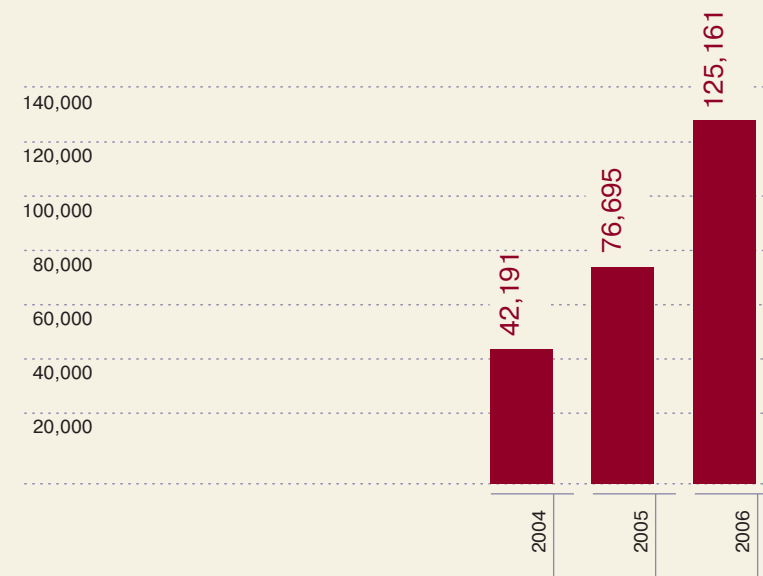
Credit Bank of Moscow has been active in the car finance market since 2004. Apart from the customary and quick loan products, the Bank regularly offers its clients promotional lending programs jointly with car dealers whereby its clients can get better rates, longer maturities and special insurance terms. The Bank's car loans portfolio soared by 63% in 2006.

#### Competitive edge:

- Maturities up to 5 years.
- Flexible rates.
- Quick loan decision.
- Clear sales technology.
- Loan desks at major car dealers' points of sale.
- Multicurrency plastic cards.
- Partnering with major insurance companies (Ingosstrakh, Rosgosstrakh, AlfaStrakhovanie).

22 in the ranking by RBC-Rating

### CAR LOANS PORTFOLIO, thousands of US Dollars



## Retail Business

### MORTGAGE LENDING

Housing finance is a bestseller of Credit Bank of Moscow.

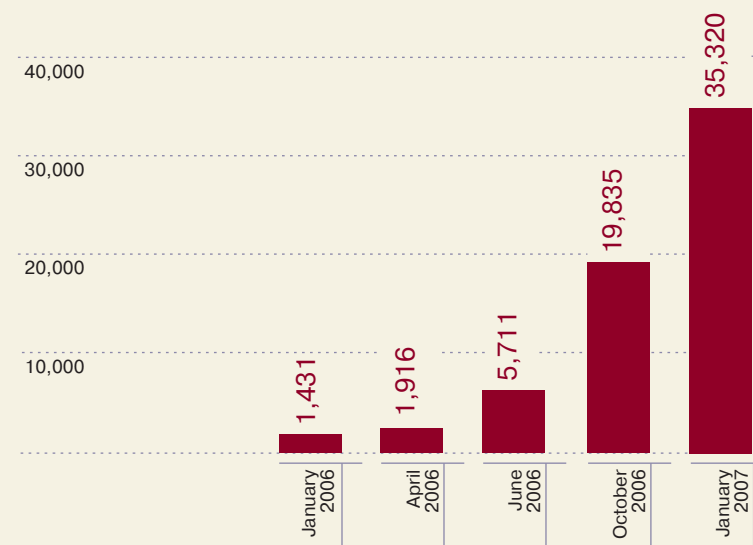
#### Competitive edge:

- Maturities from 1 to 20 years.
- Loans for primary and secondary realty.
- Flexible rates.
- Quick loan decision.
- Clear sales technology.
- Partnering with major insurance companies (Ingosstrakh, Rosgosstrakh, AlfaStrakhovanie).
- Long term funding by IFC.

43 in the ranking by RBC-Rating

Mortgage business secures reliable long term income for Credit Bank of Moscow

### MORTGAGE LOANS, thousands of US Dollars



## Retail Business

### DEPOSITS

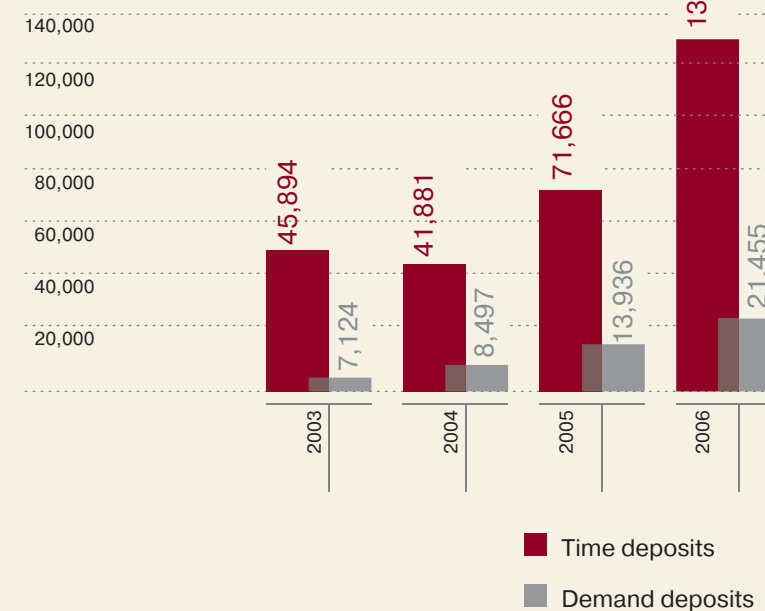
Owing to its effective policy of developing new retail deposit products, in particular periodic promotional deposits with higher interest rates, gifts and prize draws, Credit Bank of Moscow expanded its private deposit base by 79% in 2006.

#### Different purpose deposit offerings:

- Accumulation.
- Saving.
- Specific purpose deposits.

The Bank views retail deposits as an important funding source for its consumer lending programs.

### PRIVATE DEPOSITS, thousands of US Dollars



## Retail Business

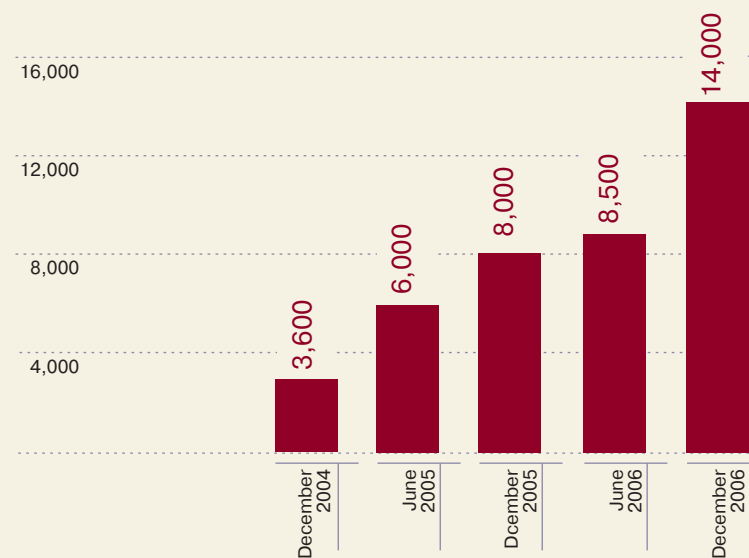
### BANK CARDS

- In-house certified processing centre.
- Membership in Visa Int., MasterCard Int. and Diners Club Int.
- Cardholder insurance.
- SMS service.
- Flexible pricing.
- Payroll and co-brand projects.

The Bank has issued a total of over 64 thousand plastic cards (as of 01.01.2007)

Plastic business is a reliable risk-free income source.

### CARD BALANCES, thousands of US Dollars



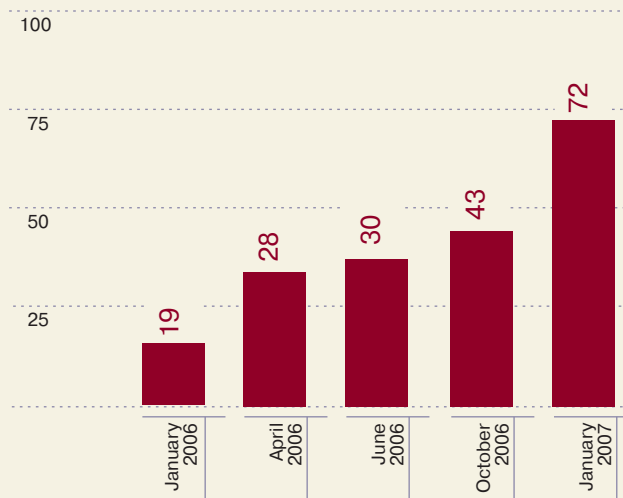
## Retail Business

### ATMs

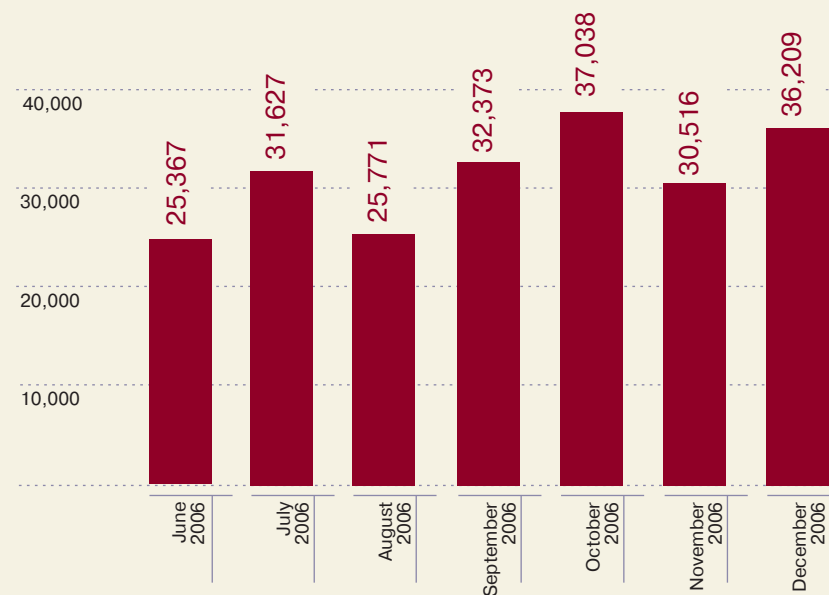
Credit Bank of Moscow has a broad ATM network in the City of Moscow and Moscow Region. In 2006 the total number of ATMs was brought to 72.

The Bank plans to have 100 ATMs by the end of 2007.

ATMs, units



ATM TRANSACTIONS, units



## Retail Business

### RETAIL SERVICES

Its ramified office network in the City of Moscow and Moscow Region and tested retail service technologies help Credit Bank of Moscow keep up high standards of services.

	01.01.2007, thousands of US Dollars
Annual payment volume	286,074
Annual foreign exchange volume	133,832
Annual transfer volume	35,253

- Transfers.
- Payments.
- Foreign exchange.
- E-office.
- Travellers cheques.
- Safe boxes.
- Unit investments.
- Car liability insurance policies.

## Treasury Business

### INTERBANK BUSINESS

Renowned as a failsafe, financially stable and dynamic business partner, Credit Bank of Moscow enhanced essentially its positions in all segments of the financial and money markets in 2006. The Bank currently does business with 270 banks.

	01.01.2007, billions of US Dollars
Blank limits	0.247
Rouble interbank lending annual turnover	5.7
Foreign currency interbank lending annual turnover	3.5
USD foreign exchange annual turnover	18
Euro foreign exchange annual turnover	4.7

#### Russian partners:

- Gazprombank.
- Sberbank.
- VTB.
- IMB.
- Bank of Moscow.
- Impexbank.
- Zenit.
- Rosbank etc.

#### International partners:

- Commerzbank AG.
- American Express Bank Ltd.
- Raiffeisen Zentralbank Österreich AG.
- Wachovia Bank N.A.
- Dresdner Bank AG etc.

## Treasury Business

### SECURITIES MARKET OPERATIONS

#### Credit Bank of Moscow:

- is active in all segments of the securities market,
- provides brokerage services to corporate and private customers,
- provides Internet trading services.

The Bank's securities portfolio is largely made of corporate promissory notes and bonds of financially robust issuers with a long market track record (over 70% of the total portfolio).

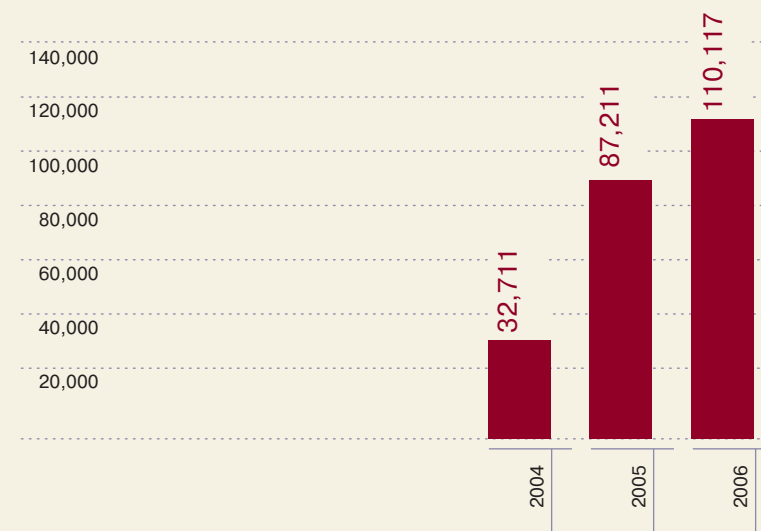
17% of CBM's portfolio is represented by investments into liquid issues of municipal bonds like those of Moscow, Moscow Region etc.

The rest of the portfolio is made of sovereign bonds, namely those of Russia's Ministry of Finance, and shares.

#### Securities portfolio breakdown as of 01.01.2007

Securities	Volume, thousands of US Dollars	Percentage, %
State Short Term Bonds (GKOs)	3,594	3.1
Municipal Bonds	19,567	17.0
Promissory Notes	33,753	29.3
Bonds	48,659	46.7
Shares	4,544	3.9
<b>Total</b>	<b>110,117</b>	<b>100.0</b>

### TRADING SECURITIES PORTFOLIO, thousands of US Dollars



## Investment Business

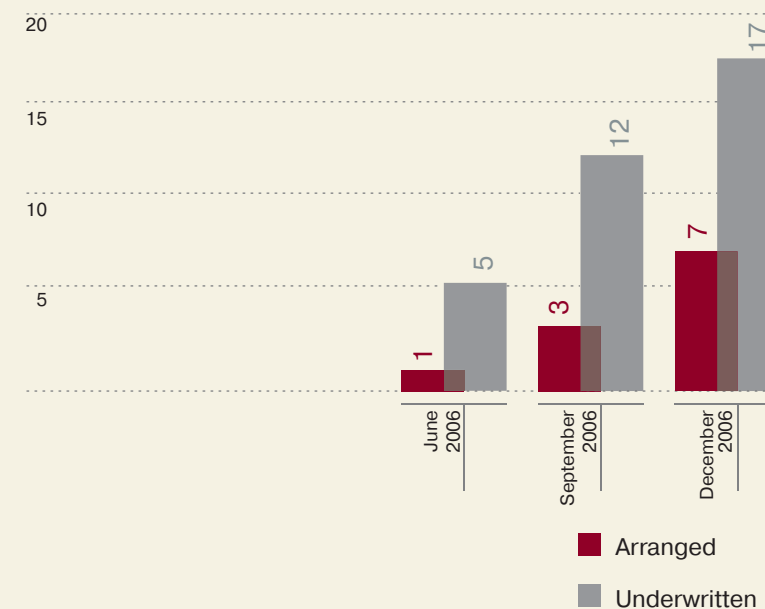
### INVESTMENT BANKING

Credit Bank of Moscow offers corporate debt and equity finance arrangement services. They include arrangement of loans, promissory notes and bonds issuances, and IPOs.

#### Investment banking services package:

- Investment counsel.
- Legal counsel.
- Lead manager.
- Paying agent.
- Underwriter.
- Market maker.

### CORPORATE BOND ISSUES ARRANGED OR UNDERWRITTEN BY CREDIT BANK OF MOSCOW IN 2006





## Investment Business

### 2006 Tombstones:

 <b>CREDIT BANK OF MOSCOW</b> Arranger RUR1,000,000,000	 <b>Avtomir-Finance</b> Co-Arranger RUR1,000,000,000	 <b>LOMO</b> Co-Arranger RUR1,000,000,000	 <b>Atlant-M</b> Co-Arranger RUR1,000,000,000	 <b>M.video Finance</b> Co-Arranger RUR2,000,000,000	 <b>Alkor and Co (l'Etoile)</b> Co-Arranger RUR1,500,000,000	 <b>Brothers and Company</b> Co-Arranger RUR500,000,000
 <b>Technosila-Invest</b> Co-Underwriter RUR2,000,000,000	 <b>Tatfondbank</b> Co-Underwriter RUR1,500,000,000	 <b>Mechel</b> Co-Underwriter RUR5,000,000,000	 <b>Mosenergo</b> Co-Underwriter RUR5,000,000,000	 <b>Edinaya Evropa</b> Co-Underwriter RUR1,200,000,000	 <b>Marta Finance</b> Co-Underwriter RUR2,000,000,000	 <b>Banana-Mama</b> Co-Underwriter RUR1,000,000,000
 <b>Samara region</b> Co-Underwriter RUR4,500,000,000	 <b>Vostok-Servis-Finance</b> Co-Underwriter RUR1,500,000,000	 <b>MiG Finance</b> Co-Underwriter RUR3,000,000,000	 <b>EMalliance-Finance</b> Co-Underwriter RUR2,000,000,000	 <b>TransMashHolding</b> Co-Underwriter RUR4,000,000,000	 <b>Koks</b> Co-Underwriter RUR3,000,000,000	 <b>JFC Group</b> Co-Underwriter RUR2,000,000,000
 <b>Terna-finance</b> Co-Underwriter RUR1,500,000,000	 <b>TekhnoNIKOL-Finance</b> Co-Underwriter RUR1,500,000,000	 <b>UK HidroOGK</b> Co-Underwriter RUR5,000,000,000	 <b>Euroset</b> Co-Underwriter RUR3,000,000,000			

## Investment Business

### BOND AND NOTE ISSUES

Trusted by Russian and international investors, the Bank continuously taps the stock market with its promissory notes and bonds issuances.

The Bank plans to issue its third RUR2 bln 3 year rouble bond in 2007.

#### Overview of CBM's rouble bond issues

Date	Arranger	Amount	Tenor	Coupon period	Coupon rate
April 2005	Financial Corporation UralSib	RUR500 mln	2 years	3 months	11.5% for year 1 10.5% for year 2
July 2006	Credit Bank of Moscow	RUR1 bln	3 years	6 months	10.4% for first 1.5 years, set by the Issuer thereafter

The Bank's notes may be repurchased, early discounted or taken as pledge for interbank loans by it.

Credit Bank of Moscow enjoys a diversified note investor base including:

- Financial institutions – banks and investment companies.
- Insurance companies – the Bank's partners under its lending programs.
- The Bank's customers – those wishing to invest their liquidity excess.

#### Overview of CBM's promissory note program

Market maker

REGION Investment Group, Veles Capital Investment Company,  
Investment Banking Group "Russian Investment Club"

Outstanding notes value	RUR2.8 bln
Customary denominations	RUR1 mln or more (multiples of RUR1 mln)
Life to maturity	3, 6, 9, 12 months

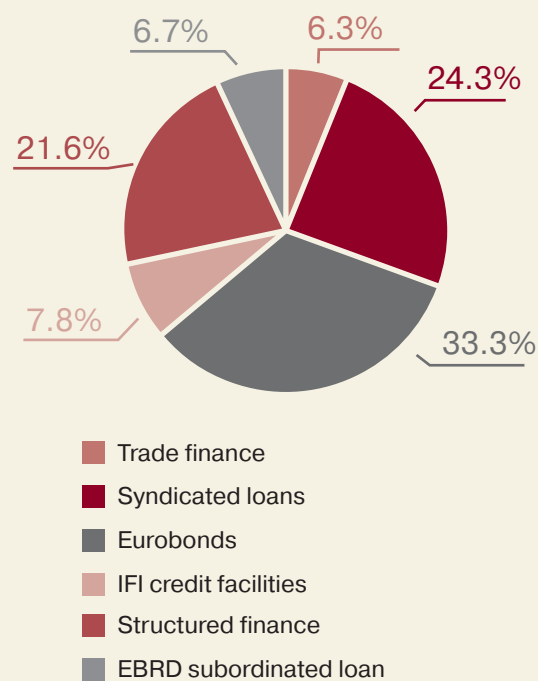
## International Business

International business is one of the Bank's development priorities.

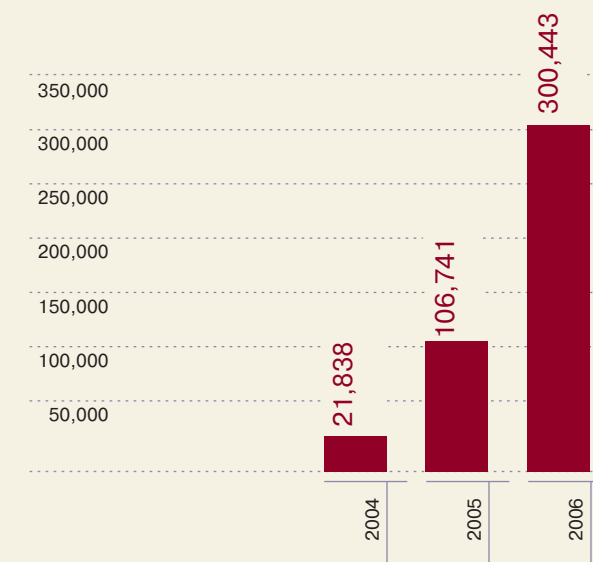
### International business activities:

- Cross-border settlements and correspondent banking.
- Trade finance.
- ECA-covered finance.
- Earmarked financings from international financial institutions.
- Syndicated loans.
- Eurobond issuance.

BREAKDOWN  
OF INTERNATIONAL  
FUNDING as of 01.01.2007



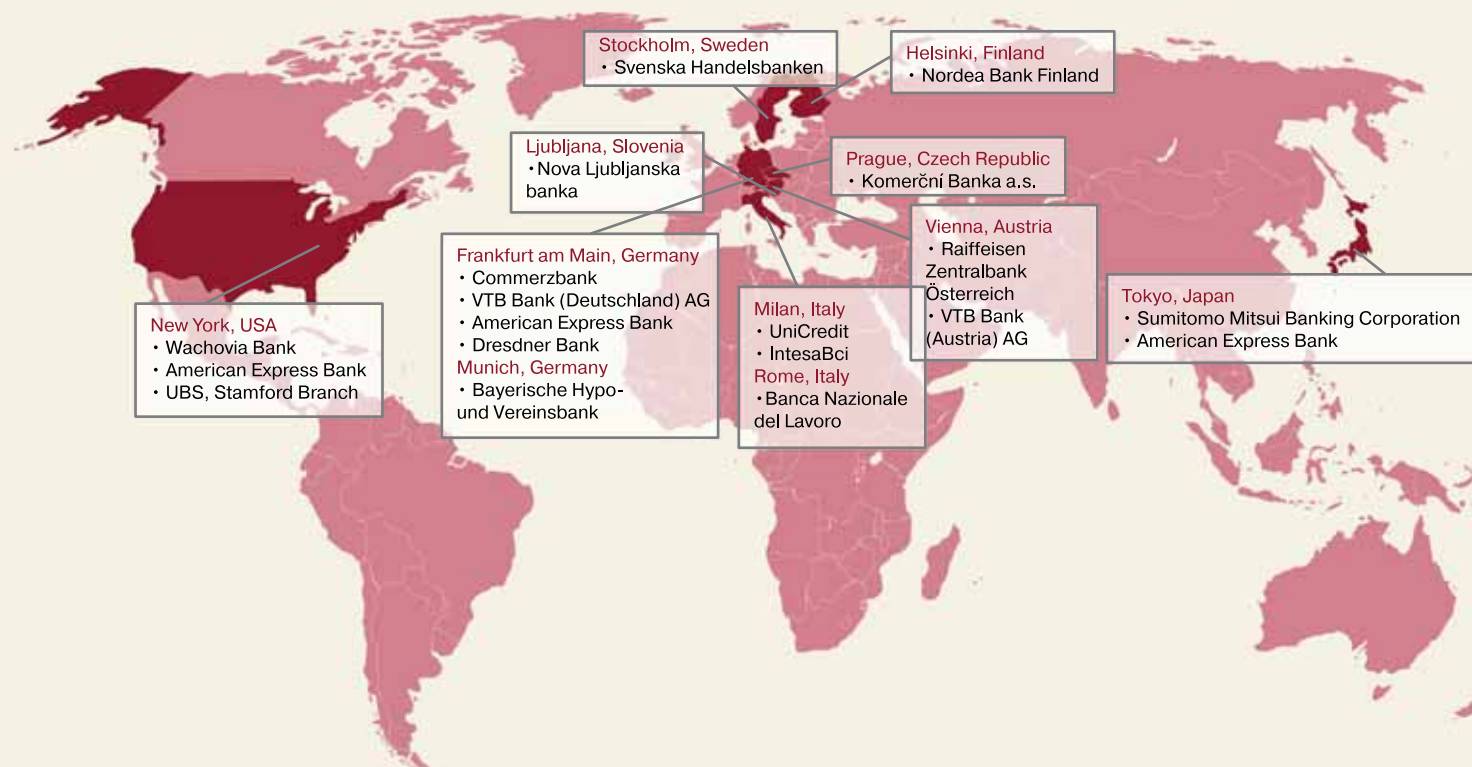
INTERNATIONAL  
FUNDING,  
thousands of US Dollars



## International Business

### CORRESPONDENT BANKING

Credit Bank of Moscow's correspondent network covers over 100 credit institutions:



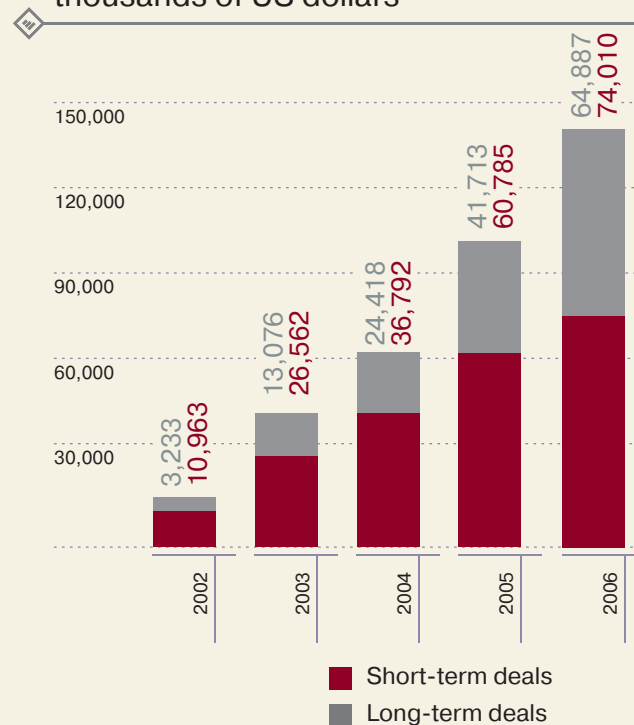
## International Business

### TRADE FINANCE

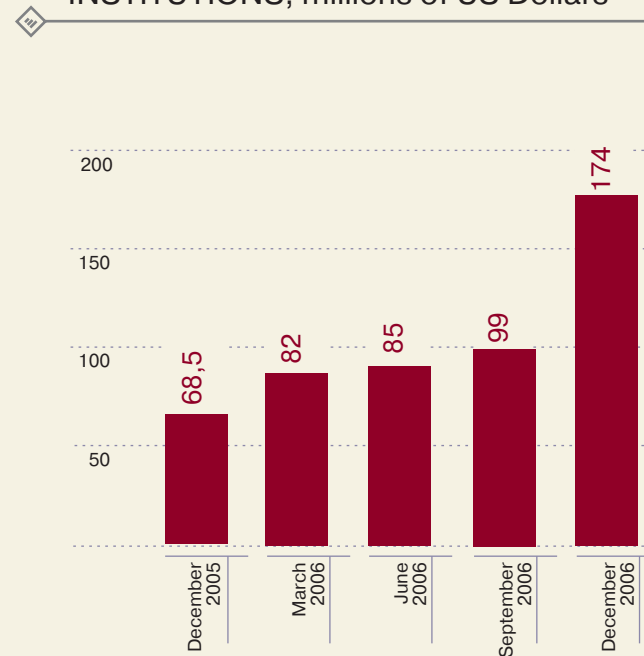
#### Trade finance with Credit Bank of Moscow:

- Instruments:
  - Guarantees and letters of credit.
  - Short term and long term.
- Maturities up to 8.5 years.
- Worldwide network of partner banks:
  - Trade finance letters of credits and guarantees may be advised and confirmed by banks in any part of the world.
- Co-operation with key export credit agencies.
- Access to trade facilitation programs of IFC and EBRD:
  - Enhanced trade finance capabilities. Documentary business grew by 35% in 2006.

### TRADE FINANCE BUSINESS, thousands of US dollars



### TRADE FINANCE CREDIT FACILITIES WITH FOREIGN FINANCIAL INSTITUTIONS, millions of US Dollars



## International Business

### COLLABORATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS

The Bank is a committed beneficiary of earmarked financings provided by international financial institutions, International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD) and German Investment and Development Company (DEG).

International financial institutions select recipient banks by strict professional banking criteria and their involvement with CBM therefore evidences these institutions' favourable opinion of its performance.

 <b>CREDIT BANK OF MOSCOW</b>  USD 10,000,000 5 years SME Finance   <b>International Finance Corporation</b> <small>World Bank Group</small>  October 2004	 <b>CREDIT BANK OF MOSCOW</b>  USD 5,000,000 8 years Mortgage Finance   <b>International Finance Corporation</b> <small>World Bank Group</small>  July 2005	 <b>CREDIT BANK OF MOSCOW</b>  USD 10,000,000 3 years Global Trade Finance Program   <b>International Finance Corporation</b> <small>World Bank Group</small>  Februar 2006	
 <b>CREDIT BANK OF MOSCOW</b>  USD 15,000,000 2 years Global Trade Finance Program   <b>European Bank</b> <small>for Reconstruction and Development</small>  May 2005	 <b>CREDIT BANK OF MOSCOW</b>  USD 10,000,000 5 years SME Finance   <b>European Bank</b> <small>for Reconstruction and Development</small>  June 2005	 <b>CREDIT BANK OF MOSCOW</b>  USD 20,000,000 7+2 years Subordinated Loan   <b>European Bank</b> <small>for Reconstruction and Development</small>  August 2006	 <b>CREDIT BANK OF MOSCOW</b>  USD 33,000,000 3 years Global Trade Finance Program   <b>European Bank</b> <small>for Reconstruction and Development</small>   <b>DEG</b> <small>Deutsche Export-Import Bank</small>  September 2006

## International Business

### SYNDICATED LOANS

Credit Bank of Moscow's major achievements in 2006:

- Russia's first car loans backed syndicated loan facility.
- Oversubscription to the initial bid.
- Longer tenors.

Date	Loan amount	Tenor	MLAs	Status	Other features
October 2003	US\$14 mln	1 year	Bankgesellschaft Berlin AG	repaid	40% oversubscribed
January 2005	US\$10 mln	6 months	Commerzbank AG	repaid	
September 2005	US\$40 mln	1 year	Bankgesellschaft Berlin AG, Commerzbank AG, Standard Bank PLC	repaid	60% oversubscribed
August 2006	US\$20 mln	1 year	Standard Bank PLC, ZAO Standard Bank	outstanding	secured upon a car loan portfolio, 20% oversubscribed, extendible
September 2006	US\$53 mln	1 year	Standard Bank PLC, Commerzbank AG	outstanding	32.5% oversubscribed, extendible

## International Business

### EUROBOND ISSUE

In October 2006 the Bank placed its debut eurobond issue arranged by Merrill Lynch.

#### Achievements of this issue:

- Diversification of funding.
- Access to new investor base.
- Building up Credit Bank of Moscow's renown in the international financial markets.

#### Transaction details:

Amount	US\$100 mln
Maturity	3 years
Coupon rate	9.5%
Special features	1 year put option with coupon step-up to 10.25%
Listing	London Stock Exchange

The second LPN issue is planned for 2007 in the amount of US\$100 mln



# RISK MANAGEMENT

Financial Risk Management

46

## Financial Risk Management

The Bank has a prudential and conservative risk management policy and employs a systematic approach in order to monitor, analyse and manage credit, currency, interest rate, price, operational and liquidity risk. This system is kept fit to the Bank's goals and business scale, and is spearheaded by the Assets and Liabilities Committee and Credit Committee responsible for risk management guidance.

### Credit risk:

- Rating model for appraisal of customers' and counterparties' financial standing.
- Scoring system for appraisal of individuals' credit capacity.
- Limits for all asset categories.
- Collective decision making in Credit Committee. Delegation of powers subject to certain limitations and appropriate control.

### Liquidity risk:

- Daily monitoring of payment position for all nostro accounts and all currencies.
- Daily calculation of and control over liquidity ratios.
- Maturity gap analysis.
- Short term and long term liquidity policy set and reviewed by the Assets and Liabilities Committee.
- Stress testing. Liquidity recovery arrangements.

### Currency risk:

- Aggregate foreign currency position limit. Individual currency sub-limits.
- Daily open foreign currency position limit for every dealer.
- Performance limits for dealers (stop-loss and take profit).

### Interest rate risk:

- Interest rate gap analysis. Analysis of interest spread and margin.
- Monitoring of interest rate sensitive assets/liabilities.
- Monitoring of assets/liabilities with floating interest rates.
- Market responsive interest rate management by the Assets and Liabilities Committee.

### Price risk:

- Comprehensive securities dealing limits.
- Personal limits for every dealer.
- Performance limits for dealers (stop-loss and take profit).

### Operational risk:

- Multilevel system of monitoring and analysis.
- Data protection and back-up system.
- Clear regulation of the internal processes.
- Collective decision making practice.
- Internal control system.
- Complex insurance of banking risks (Bankers Blanket Bond).

## BANKING AND INFORMATION TECHNOLOGIES

Technological Base Development	47
IT Infrastructure	48
Software	49

## Technological Base Development

### Major activities:

- Matching infrastructure to the Bank's needs.
- Implementation of hi-tech software solutions for automation of various banking operations.
- Maintaining integral information space enabling the Bank's customers and employees to fetch necessary information in a prompt way.
- Serving and maintaining large number of users, servers and office equipment.

### Projects carried out in 2006:

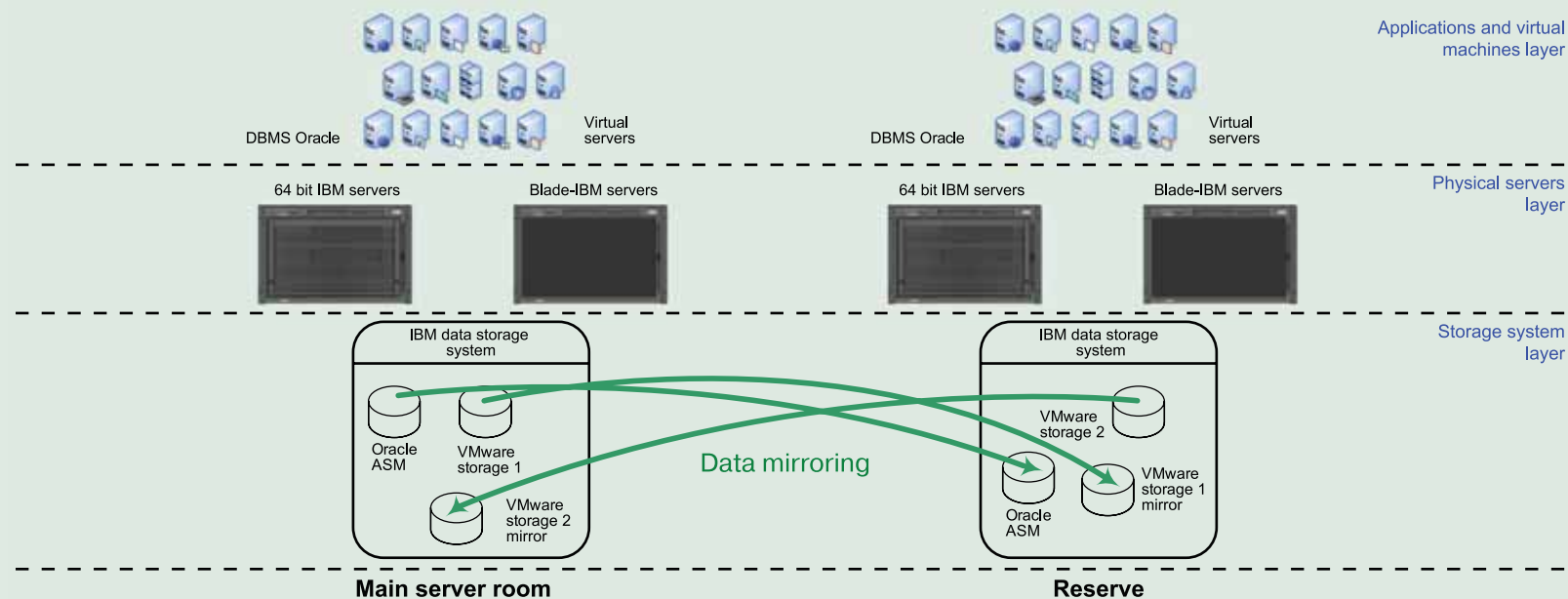
The Bank continuously improves its technological base to be able to promptly develop and bring to market innovative services and products. As part of this process, the following systems were implemented in 2006:

- Debt recovery management system.
- Loan application screening system.
- Analytical platform for existing clients analysis and development of scoring programs for potential clients appraisal.
- CRM system for retail business automation.

Implementation of a number of retail banking service systems was also launched and a front office system is being installed.

## IT Infrastructure

- Data processing centres:
  - 64-bit IBM servers, 32-bit IBM and HP servers.
  - IBM data storage systems.
  - Remote back-up facilities.
- Local area networks:
  - Network construction based on Cisco equipment.
- Telephony:
  - Nortel equipment. In-house call centre.



## Software

- Main banking software:
  - ABS «Quorum» (Oracle version) – analytical accounting, bookkeeping.
- Front office systems:
  - CRM Siebel – client relationship management.
  - SoftWell Navigator – trading.
  - In-house software developments for automation of loan origination and maintenance processes, and for client relationship management in outlets and cash offices.
- Back office systems:
  - ABS «Quorum» modules.
  - 8 various accounting systems representing best solutions in the Russian market.
  - In-house software developments for reporting, budgeting and financial management.
- Reporting:
  - OLAP-based technologies and centralised reporting server (Microsoft technologies).
- In-house development of Client-Bank system:
  - 5,000 corporate clients on service, 90% of electronic documentation flow.

### IT planning for 2007:

Priority tasks are implementation of efficient business processes, remote service arrangements, centralisation and automation of transaction processing.

- Infrastructure:
  - Replacing data processing equipment by a new technological solution (IBM).
  - Setting up new workplaces.
  - Supporting branch network deployment.
  - Arranging IT environment of the new head office.
- Management decision support system:
  - Installation of corporate data storage facility.
- Client relationship management systems:
  - Further implementation of Siebel CRM system for corporate business.
  - New functionalities of the electronic front office.
  - New information services.
  - Facilitation of Internet trading.
- Consolidated integration platform:
  - Transition to large scale ready made software integration solutions.

## FINANCIAL STATEMENTS

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Statement of Profit and Loss	51

## Balance Sheet

As of 31.12.2005 and 31.12.2006, thousands of US Dollars	2005	2006	Annual increment, %
<b>TOTAL ASSETS</b>	<b>654,107</b>	<b>1,095,199</b>	<b>67</b>
Cash and due from Central Bank	78,546	118,663	51
Due from credit institutions, net	52,078	75,352	45
Trading securities	87,211	110,117	26
Loans to customers, net	426,226	741,340	74
Property and equipment	3,556	37,820	964
Other assets	6,490	11,907	86
<b>TOTAL LIABILITIES</b>	<b>551,387</b>	<b>940,864</b>	<b>71</b>
Deposits by credit institutions	144,854	230,739	59
Deposits by customers	229,160	401,086	75
Debt securities issued	164,195	285,595	74
Income tax liability	10,021	12,755	27
Provisions, accruals and other liabilities	3,157	10,689	209
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>102,720</b>	<b>154,335</b>	<b>50</b>
Common stock	63,940	93,657	46
Additional paid-in capital	6,612	6,612	-
Retained earnings	24,584	35,821	46
Cumulative translation adjustment	7,584	18,245	141



## Statement of Profit and Loss

As of 31.12.2005 and 31.12.2006, thousands of US Dollars	2005	2006	Annual increment, %
Interest income	39,860	70,811	78
Interest expense	(16,268)	(36,744)	126
<b>Net interest income</b>	<b>23,592</b>	<b>34,067</b>	<b>44</b>
Provision for credit impairment	3,802	(3,149)	-
<b>Net interest income after provision for credit impairment</b>	<b>27,394</b>	<b>30,918</b>	<b>13</b>
Fees and commissions income	14,677	21,201	45
Securities trading profits, net	-	1,267	-
Foreign exchange gains, net	2,125	3,445	62
Other operating income	1,026	1,633	59
<b>Non interest income</b>	<b>17,828</b>	<b>27,546</b>	<b>55</b>
Salaries and employment benefits	18,858	24,234	29
Administrative expenses	8,839	14,566	65
Fees and commissions expense	1,272	2,040	60
Depreciation and amortization	1,037	1,266	22
Contribution to the state deposit insurance system	275	605	220
Other operating expenses	715	1 051	47
<b>Non interest expense</b>	<b>30,996</b>	<b>43,762</b>	<b>41</b>
<b>Income before income taxes</b>	<b>14,226</b>	<b>14,702</b>	<b>3</b>
Income taxes	(3,319)	(3,465)	4
<b>Net income</b>	<b>10,907</b>	<b>11,237</b>	<b>3</b>