

From good to great —  
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**CREDIT BANK  
OF MOSCOW**

Annual report  
2013

1

BEST BANK

BANKI.RU

Annual professional award established by the information portal Banki.ru. The purpose of the award is to choose the best financial organisations of each complete year, as well as to give true and impartial information to banks' customers so that they can select a reliable partner, and to serve as a guiding light for further development of the banking business in general.

# Bank of the Year

According to  
Banki.ru

8.9<sup>↑</sup>

RUB bln net profit

+59.8%<sup>↑</sup>

Capital Growth

compared with 2012  
(under Basel Committee)

13

↑  
rank

Among the largest  
Russian banks  
in terms of assets

4

↑  
rank

Among banks without  
majority interest of  
state / foreign institutions

20.1%

Return on equity

+94.2%<sup>↑</sup>

Retail loan portfolio  
growth

compared with 2012

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# 1. Address of the Chairman of the Supervisory Board and the Chairman of the Management Board

**From words  
to actions**







The year 2013 was important for the development of the Bank's relations with its shareholders, investors and counterparties together with the extensive efforts being made to improve the Bank's corporate governance system.

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**William Forrester Owens**

Independent Non-Executive Director,  
Chairman of the Supervisory Board of the Bank

Dear shareholders, investors, partners and customers!

We are presenting to you CREDIT BANK OF MOSCOW's Annual Report for the year 2013. It can be stated without doubt that the Bank has managed to accomplish most of its goals in the reporting period, which has had a positive impact on the Bank's financial results and image. These are results of hard work undertaken by the Bank's team of professionals day by day allowing it to achieve new horizons each year and confirm its status as one of the leading financial institutions in Russia.

The year 2013 was important for the development of the Bank's relations with its shareholders, investors and counterparties together with the extensive efforts being made to improve the Bank's corporate governance system.

It should be noted that the Supervisory Board and its committees have become an effective venue for discussing and addressing important operational and strategic issues. With five independent directors and two minority shareholders' representatives, the Supervisory Board ensures that the interests of all of the Bank's shareholders are protected and that decisions are made impartially, while the mix of skills, knowledge and international experience of the Supervisory Board members contributes to a balanced and highly effective performance by the Board.

As a means of introducing best international corporate governance practices, a corporate governance system improvement plan was formulated and almost completely implemented in 2013 resulting in a higher quality of the Bank's governance and information transparency. As a result of these efforts the Bank was placed among the Top-5 Russian financial institutions in terms of the quality of reporting and the level of corporate governance disclosure according to a survey by

the Russian Regional Network for integrated reporting (RRN). Furthermore, the Bank was ranked 4th by the quality of its IFRS statements in a Fitch Ratings survey made in 2013. The Bank was also among the Top-3 contestants in the nomination «Best Annual Report in the Financial Sector» at the Expert RA contest of annual reports, and took the first place in the nomination for “Best Annual Report in the Financial Services Sector” at the contest of annual reports and corporate websites held by RCB media group. The Bank’s corporate website was named the best bank website of 2013 by Markswebb Rank & Report.

The achievements of the Bank’s corporate governance development programme included greater information transparency for the investment community, completion of a framework for long-term and short-term incentives for the Management Board, adoption of the Bank’s Code of Corporate Ethics, introduction of the institution of a Corporate Secretary, strengthening the risk management and the internal audit and control systems and a number of other improvements.

The Bank continues to implement its Development Strategy approved in 2012 and revised in 2013. The Development Strategy is regularly discussed by the Supervisory Board and updated to be in line with market trends and the Bank’s development priorities.

The areas of focus for the Bank’s Supervisory Board members, shareholders and management notably include IT investments and human resources development. This Annual Report explains in detail the importance of these areas and the steps the Bank is taking to develop them.

On the whole, we expect that in 2014 the Bank will continue to demonstrate positive trends in its key financial indicators and will be able to consolidate its market position in its core business areas.

The Bank’s activities in 2014 will be based on the concept of sustainable above-market growth and development with a focus on the quality of services provided and the ambition to be the bank of first choice for our customers and to have a greater strategic importance in the national context. The Bank has made the right strategic choice with respect to its further development as witnessed by the fact that it was one of the few privately-owned Russian banks recognised by Standard & Poor’s in 2013 as systemically important financial institutions.

The Bank traditionally devotes particular attention to its customers. Their requirements and desires shape the Bank’s product range, while its technological solutions allow individuals and organisations to use its banking services whenever required, and its high quality service makes customer experience both convenient and agreeable. We are sincerely grateful to those who bank with us and see the Bank as their reliable and loyal financial partner! It is for them that thousands of our employees start their working day, and each day we endeavour to have more such people with us!





**In 2013 the Bank produced exceptional operational results, increased business volumes in the main areas of activity, and maintained a high level of efficiency.**

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**Vladimir A. Chubar**  
Chairman of the Management Board

The year 2013 was another successful stage in the Bank's development. The results of our activity made a significant contribution to strengthening our position in the banking sector and achieving our objectives. As at the year-end, CREDIT BANK OF MOSCOW is a Top-5 privately-owned bank in Russia and enjoys well-deserved recognition by industry experts for its exceptional results. CREDIT BANK OF MOSCOW was named Bank of the Year 2013 by the leading Russian banking information portal Banki.ru, which once again demonstrated the Bank's strong position and prestige.

The development of the Bank's core businesses testified to the high quality of its business model and strategic goals. For 2013 IFRS net profit reached RUB 8.9 bln beating the Bank's all-time high. This outstanding growth achieved without compromising the sound quality of its assets, together with its best-in-class performance indicators stems from the Bank's in-depth knowledge of its target market, constant attention to risk management and its unique business model which provide it with a number of advantages unavailable to other market players.

In 2013 the Bank produced exceptional operational results, increased business volumes in the main areas of activity, and maintained a high level of efficiency. These are results of the successful implementation of its strategic plans underpinned by the well-coordinated work of the Bank's team.

The Bank is the largest regional credit organisation in Russia. The Bank's concentration on the highly competitive market of Moscow and the Moscow Region is due to that area's high economic potential and a high percentage of borrowers whose credit quality and profile allow the Bank to develop an attractive product offering with high

service quality and an individual approach to each customer, whether in the corporate or retail segment. These factors help the Bank win the battle for high quality and reliable customers, and are reflected in its outstanding financial results.

CREDIT BANK OF MOSCOW's branch network is recognised by Renaissance Credit as the most efficient in the Russian banking sector in 2013. In the pursuit of higher service quality and better performance, the Bank is actively expanding the functionality of its remote services including advanced internet banking services.

The Bank's new product offerings such as its flagship credit card "United Card", a unique product in the market praised as the credit card of the year in 2013, together with its high standards of customer care ensured a substantial expansion of its retail business. Its retail loan portfolio soared by 94.2%, which, in line with the strategic goals, increased the share of retail loans to 31% of the total loan portfolio. The retail deposit portfolio rose by 25.7% to RUB 134.5 bln

That said, corporate business has traditionally been the Bank's primary area of activity. Last year, our corporate loans rose by 41.5%, while corporate deposits soared by 71.2% to RUB 140.4 bln. A significant role is played by the cash handling business with its wide network of customers including other credit organisations. Thanks to its strong cash handling service, the Bank enjoys leadership at the both regional and federal levels. In 2013, according to a survey by INTERFAX-CEA, the Bank was No 2 in the cash handling market in Moscow and No 4 in Russia. Its well-developed cash handling franchise and extensive payment terminal network allow the Bank to monitor its customers' cash flow changes and payment history thus securing a high score for its loan portfolio and assets.

The sustainable improvement of its performance indicators and solid reputation in international markets engender the well-deserved trust of investors and leading international rating agencies. The Bank's solid positions are confirmed by upgrades to its ratings. In 2013 Moody's Interfax upgraded the Bank's national scale rating and confirmed its international ratings; Standard & Poor's upgraded its long-term credit rating and listed the Bank as a systemically important financial institution alongside the biggest players in the financial sector. Fitch Ratings upgraded CREDIT BANK OF MOSCOW's long-term credit rating in each of the last two years (in 2013 to 'BB'). This made the Bank the only financial institution in Russia whose long-term international ratings were upgraded by international rating agencies 3 times in the last eighteen months.

The year 2013 was particularly successful for the Bank in the capital market. In February 2013, the Bank successfully placed a 5-year USD 500 mln 7.7% senior Eurobond. In May 2013, the Bank also placed a USD 500 mln 8.7% subordinated (Tier II) Eurobond due 2018. It was a pathfinder deal for the Russian banking market, with the Bank becoming the first to raise Tier II capital this way after the introduction of the Bank of Russia's new requirements based on Basel III. This issue was named best financial institution bond at the EMEA Finance Achievement Awards 2013, and was also awarded highly commended CEE deal of the year 2013 by Euromoney magazine.

The Bank was also successful in domestic fund raising. In 2013 it placed 2 issues of RUB 5 bln five-year exchange bonds and one RUB 2 bln subordinated bond issue.

One of the key transactions of 2013 was an increase in the charter capital made by funds from the Bank's existing shareholders which



strengthened its capital structure in response to the CBR's new capital adequacy requirements. The total investment was RUB 7.5 bln partly funded by conversion of subordinated loans previously granted by the major shareholder. Shareholders' support at the level of strategic vision and in terms of financial backing for business growth is very important for the Bank and underpins the sustainability of its further development.

The Bank continues its active involvement in social projects. Its second festival "Bright People" took place in 2013 with support from the Moscow Department of Culture. It was acclaimed by Moscovites and received the honourable status of a city-wide event. The Bank also actively helps various charities who support seriously ill children. A noteworthy contribution to the protection of vulnerable social groups is made by charitable campaigns organised by the Bank's employees.

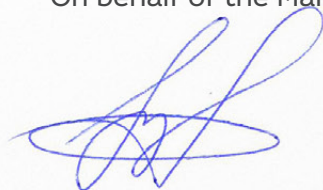
In 2014 the Bank traditionally sets high targets in all of its priority lines of business so as to raise its profile as one of the largest Russian privately-owned banks. Recognition of the Bank's impressive results by market players, its partners and customers amidst new challenges and a rapidly changing environment presents the team with new goals and determines the way forward.

## Management Responsibility Statement

I hereby certify that, to the best of my knowledge:

- (a) the financial statements prepared in accordance with the International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of CREDIT BANK OF MOSCOW; and
- (b) that the management report includes a fair review of the development and performance of the business and the position of CREDIT BANK OF MOSCOW together with a description of the principal risks and uncertainties that it faces.

On behalf of the Management Board:



**V.A. Chubar**  
Chairman of the Management Board



**From targets  
to results**



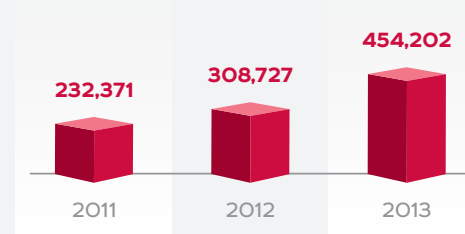
## 2. Overview. Key financial performance indicators

CREDIT BANK OF MOSCOW (the «Bank») was founded in 1992. The Bank is registered as an open joint-stock company operating under general banking licence No. 1978 issued by the Central Bank of the Russian Federation. Today, the Bank is a universal commercial bank, whose main activity is to provide high quality banking products and services to its corporate and retail customers. The Bank provides its customers with a comprehensive range of banking services, including corporate and retail lending, cash handling, guarantees and letters of credit, trade finance, factoring, leasing, deposit-taking, settlements, plastic card services and foreign exchange transactions.

The Bank currently operates exclusively in Moscow and the Moscow Region (other than a small part of its cash handling business which is undertaken in regions neighbouring the Moscow Region); these are the most promising markets for its future business development. As at 31 December 2013, the Bank had 60 branches, 24 cash offices, 710 ATMs and 5,200 payment terminals. As at 31 December 2013, the Bank was one of the five leading privately owned Russian banks by total assets. The Bank was the 13th largest bank in Russia by assets according to Expert RA and the 17th largest bank in Russia by equity according to INTERFAX-100, based on Russian Accounting Standards (RAS).

Corporate banking is the Bank's core business area, representing 69.2% of its loan portfolio as of 31 December 2013. The Bank's dynamically developing retail business is focused on the provision of consumer loans to retail customers with a relatively low credit risk, with particular emphasis on cross-selling retail products to its corporate customers' employees and clients. The Bank's strategy envisages an increasingly larger share of retail business in its overall operations. However, the Bank expects the corporate segment to continue to have the larger share in its business structure for the foreseeable future.

### Bank's assets

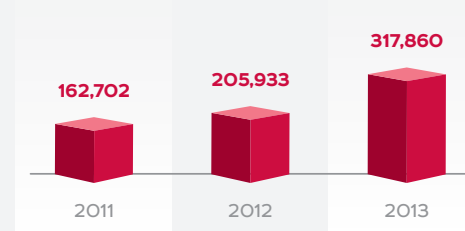


RUB mln

# + 47%

Bank's assets increased as compared with 2012

### Loan portfolio

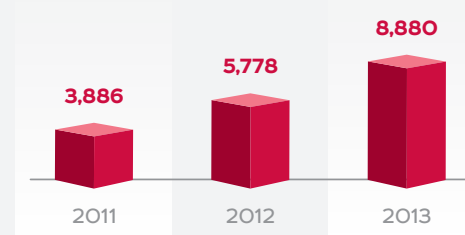


RUB mln

# + 54%

Growth of the gross loan portfolio for 2013

### Bank's net profit



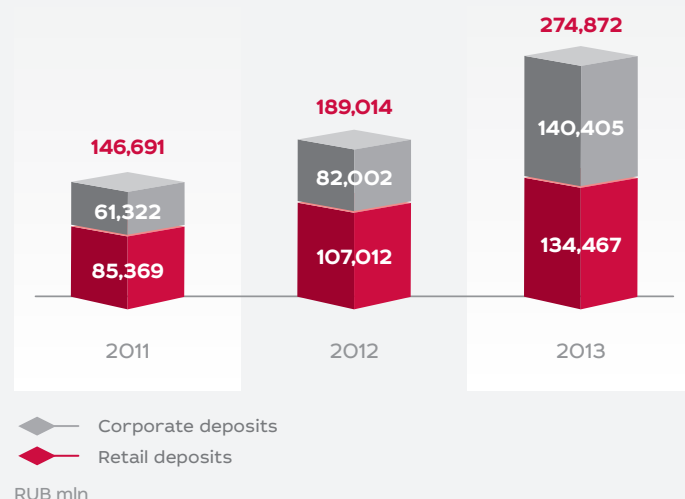
RUB mln

# + 54%

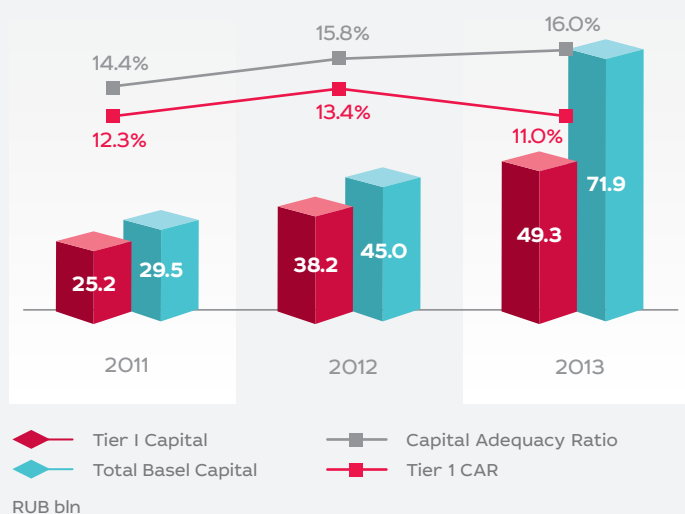
Net profit growth



### Retail and corporate deposits



### Bank's equity



The Bank is one of the market leaders in providing cash handling services to businesses in Moscow and the Moscow Region. It was the second largest cash handling service provider in Moscow for three quarters, according to an INTERFAX 2013 survey. A substantial portion of the Bank's customer base is comprised of major trading companies which make use of the Bank's cash handling services as their business is highly cash-intensive.

Thanks to its strong cash handling service which is a leader in the region and its extensive network of payment terminals, the Bank can monitor changes in its customers' cash flow and payment history which ensures the high quality of its loan portfolio and assets.

As of year end 2013, the Bank's shareholders were Mr. Roman Avdeev (85%), EBRD (7.5%), IFC (2.9%) and the RBOF Holding Company I Ltd. (4.6%).

As at 31 December 2013, the Bank's total assets exceeded RUB 454.2 bln, net profit was over RUB 8.9 bln and the Bank's equity as defined under the Basel Accord was RUB 71.9 bln.

**Main financial results of the Bank**

	2013	2012	Change
Assets	454,202	308,727	47.1%
Liabilities	403,544	269,435	49.8%
Capital (under the Basel Accord)	71,906	44,996	59.8%
Loan portfolio (after provisions)	308,941	201,235	53.5%
NPL (loans overdue by 90+ days)	4,194	1,967	113.2%
Net profit	8,880	5,778	53.7%
Net interest income (before provisions)	17,380	12,241	42.0%
Fee and commission income	7,205	4,283	68.2%

RUB mln

**Key financial ratios**

	2013	2012
Capital adequacy ratio (CAR)	16.0%	15.8%
NPL 90+ ratio (before provisions)	1.3%	1.0%
LLP / NPL 90+ ratio	212.6%	238.9%
Net interest margin (NIM)	5.2%	5.2%
Cost-to-income ratio (C/I ratio)	31.2%	41.1%
Return on equity (ROE)	20.1%	18.2%
Return on assets (ROA)	2.4%	2.2%

### 3. Economy, banking sector and position in the industry

From general  
to specific





## GDP and inflation

2013 turned out to be one of the most difficult years for Russian economy since the 2009 crisis. Industrial output and GDP growth rates fell to 0.4% and 1.3% respectively. In absolute terms, nominal GDP was RUB 66.8 trln. The slowdown can be attributed to decreased government spending and a low level of internal and external capital expenditure which limited the ability of companies to expand their investment programmes.

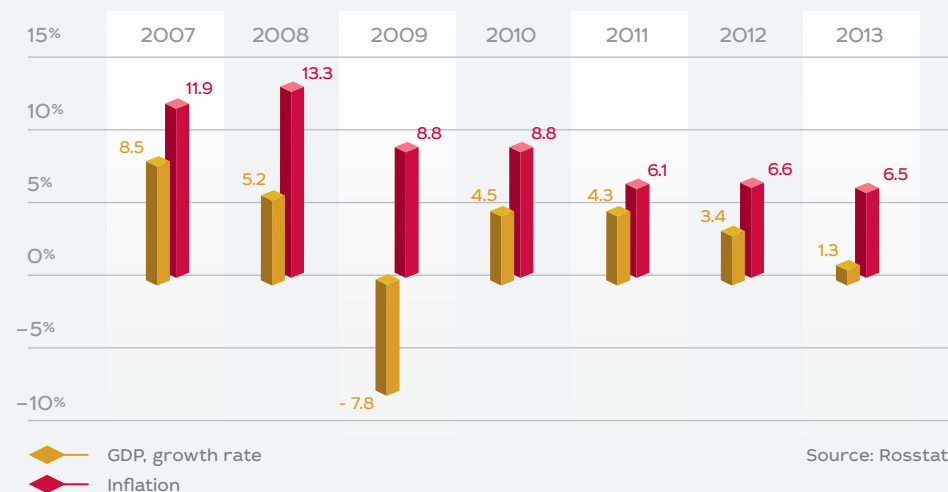
The inflation rate in 2013 was 6.5% versus 6.6% in 2012, above the officially forecasted 6%. The sharpest price rise was seen in services – 8%, while food prices rose 7.3%. The least growth was recorded by non-foods at 4.5%.

As at year end 2013, the unemployment rate in Russia remained at its all-time low 5.5% reached in 2012.

Monetary household income grew 10.8% in 2013, while monetary spending and savings rose 10.3%. On the whole, household income exceeded household spending by RUB 200.1 bln in 2013. Real wage growth slowed somewhat to 5.3% vs. 8.4% in 2012. The highest growth rates were seen in social services and the petrochemical industry. The highest wage levels, as in 2012, could be found in the financial and fuel and energy sectors.

2013 witnessed a weakening of the Russian rouble against key global currencies. In Q1 2013 the exchange rate remained relatively stable. Starting from QII, the rouble progressively weakened due to both domestic economic factors and changing external economic conditions. The latter included, in particular, expectations of tapering in the qualitative easing programme of the US Federal Reserve and an improving macroeconomic climate in Europe which revived investors' interest in European assets and which, as a result, supported a trend of appreciation in the single European currency. Thus, as at end 2013, the US dollar and Euro appreciated against the rouble by 7.5% (to 32.66 roubles for 1 US dollar) and 12% (to 45.06 roubles for 1 Euro), respectively. The CBR's managed dollar/euro dual currency basket stood at 38.24 roubles having increased by 9.9% during 2013.

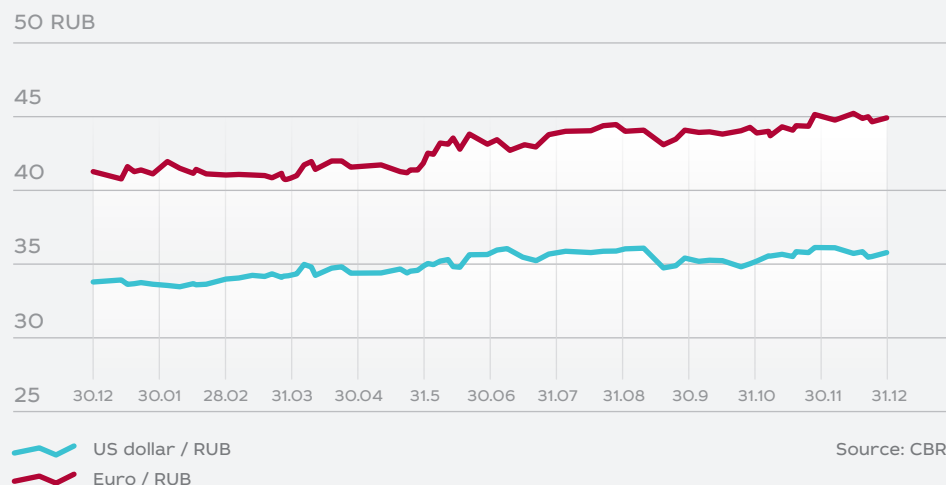
## GDP and inflation dynamics



## Level of unemployment and salary growth rates



### Currencies exchange rates dynamics



## Summary overview of the banking sector in 2013\*

The key trends of 2013 include slower growth and deteriorating quality of the retail portfolio. Capital adequacy in the sector continued to decline under pressure of the CBR's requirements and stagnating profits.

Another point to note is the CBR's stricter control over the sector. During the year, the number of Russian banks reduced by 43, almost twice as many as in 2012. Of those banks, 33 ceased to exist due to license revocation. Most such cases were attributed to dubious transactions made by the banks in question.

\* All figures in this section are as per RAS.

### Assets

The growth rate of the Russian banking sector's aggregate assets fell to 16% in 2013 from 18.9% in 2012.

The Top-5 Russian banks' share slightly expanded from 51.2% as at 1 January 2013 to 52.7% as at 1 January 2014. The aggregate share of banks ranking below 50 shrank by 1.2 p.p. during the year.

### Loan portfolio and its quality

The aggregate loan portfolio of Russian banks grew 17.1% in 2013 versus 19% in 2012.

The corporate loan portfolio expanded by 12.7% in 2013 (similar to 2012).

The retail loan portfolio growth slowed from 36.3% in 2012 to 28.7% in 2013.

The corporate loan portfolio quality remained stable in 2013. The total amount of overdue loans rose by 1% compared to the previous year to RUB 934 bln, while the NPL (1+) level reduced from 4.6% in 2012 to 4.2% as at year end 2013.

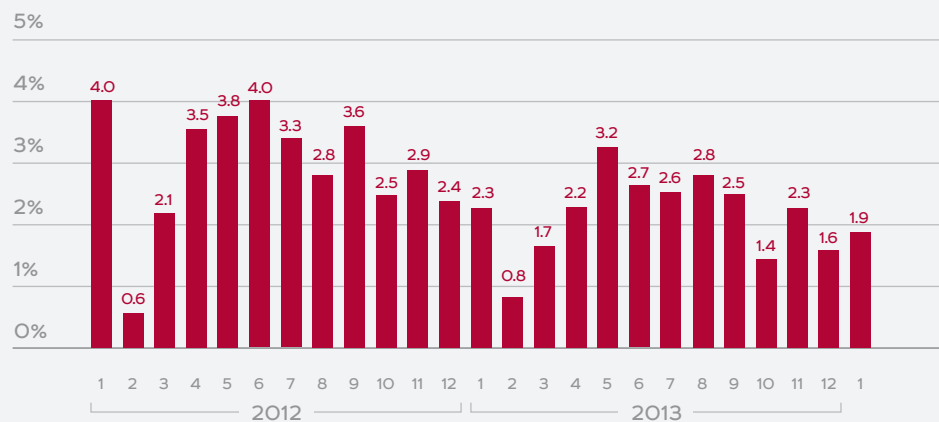
Unlike corporate loans, retail loan portfolio quality somewhat deteriorated in 2013. Overdue retail debt grew 1.4 times higher than the loan portfolio itself. As a result, the proportion of overdue loans in 2013 rose by 0.4 p.p. to 4.4%.

### Deposit base

Aggregate deposits by customers were RUB 34.9 trln in 2013, a 16% growth compared to 15.5% in 2012.

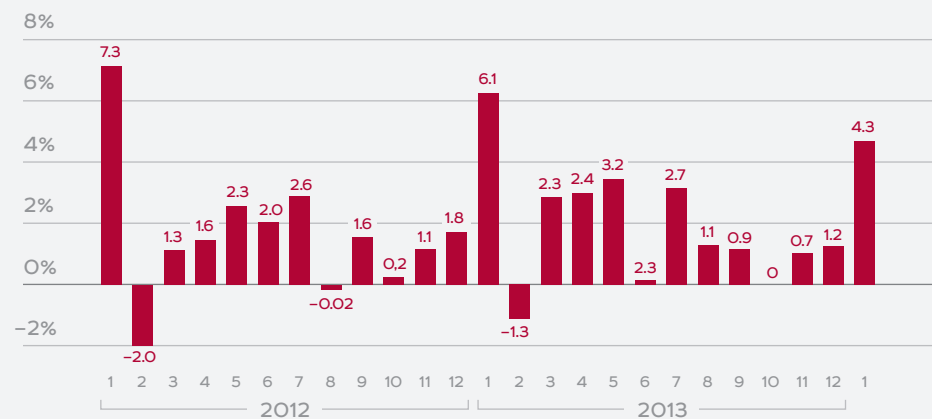
Deposits by corporate customers increased in 2013 by 12.7% against 15% in 2012. The retail deposit portfolio grew by 19% in 2013 versus 20% in the year before.

## Retail loans growth rate



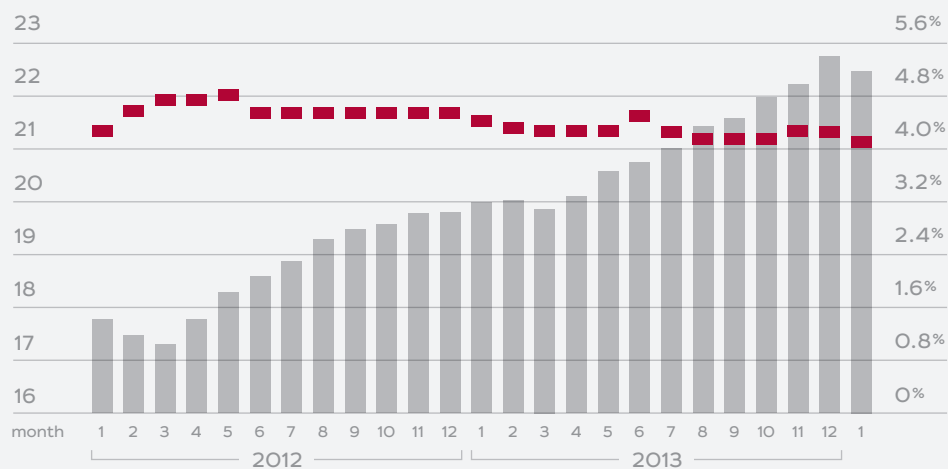
Source: CBR

## Retail deposit growth rate



Source: CBR

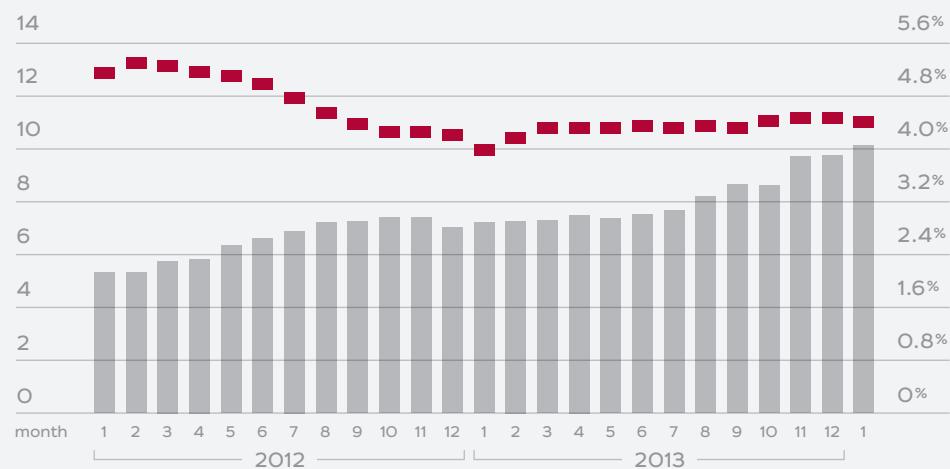
## Corporate loans



Loan portfolio (RUB trln)  
Overdue loans / Loan portfolio (%)

Source: CBR

## Retail loans



Loan portfolio (RUB trln)  
Overdue loans / Loan portfolio (%)

Source: CBR



### Deposit base

	01.01.2014	01.01.2013	YOY
Deposits by customers	34,931	30,120	16.0%
Retail deposits	16,958	14,251	19.0%
Corporate deposits	10,838	9,620	12.7%

RUB bln

Source: CBR

### Profit and capital adequacy

Russian banks earned RUB 994 bln in 2013, i.e. 1.8% less than the record RUB 1,012 bln in 2012. A squeeze on net interest margins, growing loan loss provisions and generally deteriorating economic conditions were among the key reasons for the smaller profits in 2013.

The capital adequacy ratio of Russian banks decreased by 0.2 p.p. to 13.5% in 2013.

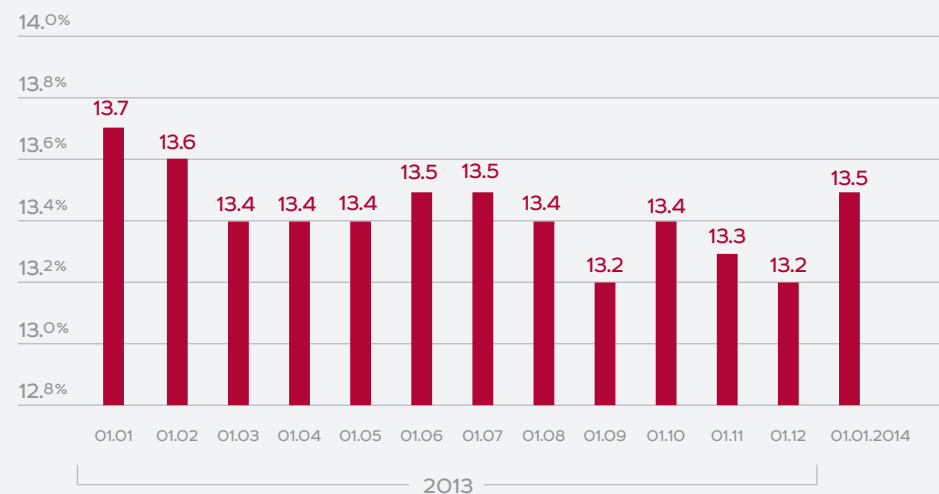
In 2013 CBR undertook some new measures to stabilise the unsecured retail lending market, which, coupled with lower profitability, led to a small decrease of the capital adequacy ratio in the sector.

### Interest rates

The average interest rate on loans to non-financial institutions (excluding Sberbank) remained basically unchanged at 10.1% as at year end 2013.

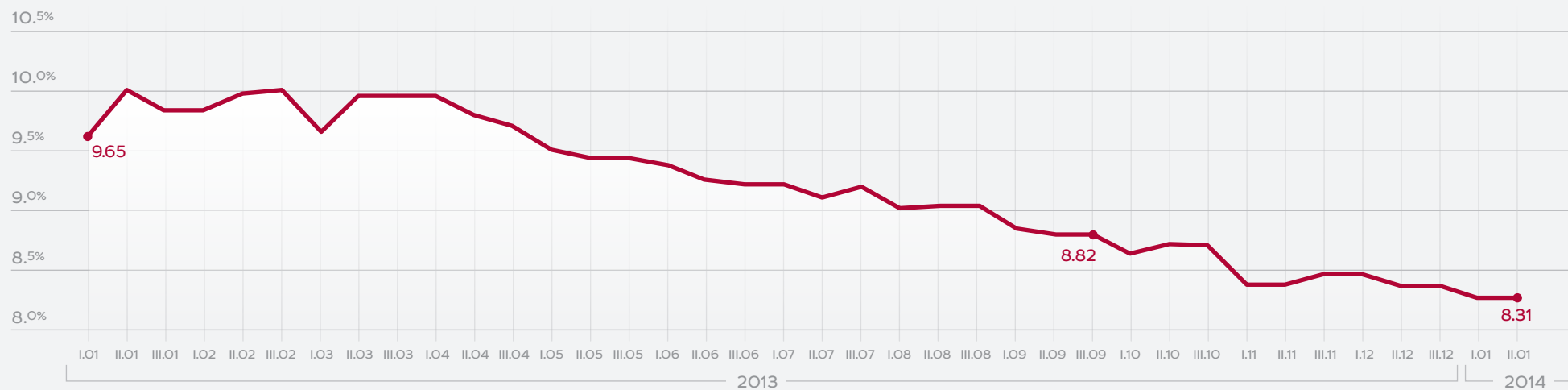
The slower growth in retail lending and the resulting lower funding requirements caused a significant fall in deposit rates. Thus, the Top-10 Russian banks' deposit rate fell by 1.34 p.p. and reached 8.31% as of 1 January 2014.

### Russian banks capital adequacy ratio



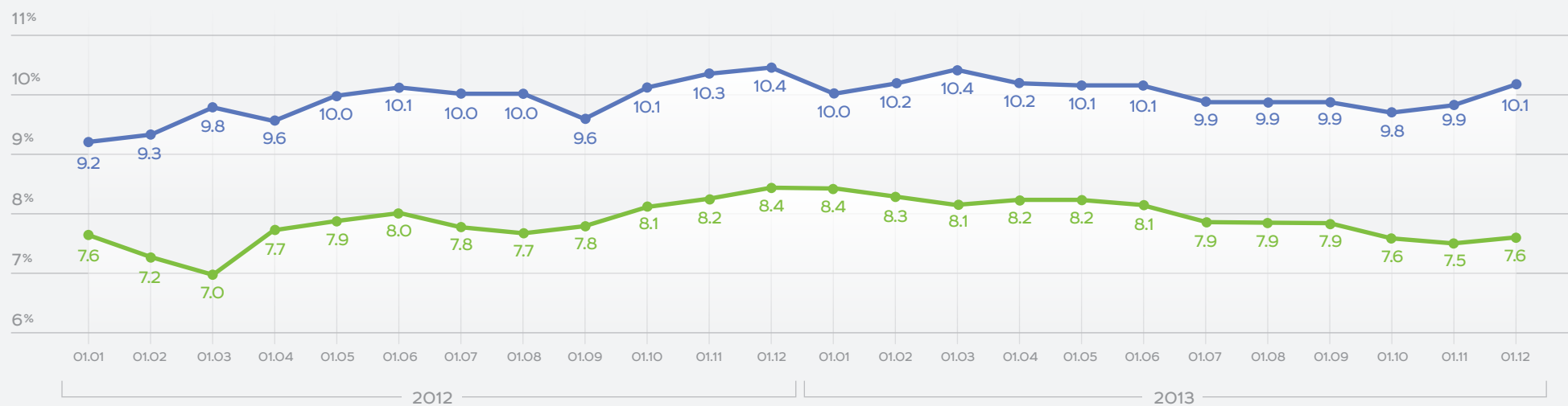
Source: CBR

## Average deposit rates of Top-10 Russian banks



Source: CBR

## Average rates of banks in Russia, excluding Sberbank



Source: CBR

- Loans to corporate clients
- Retail deposits (excluding demand deposits)

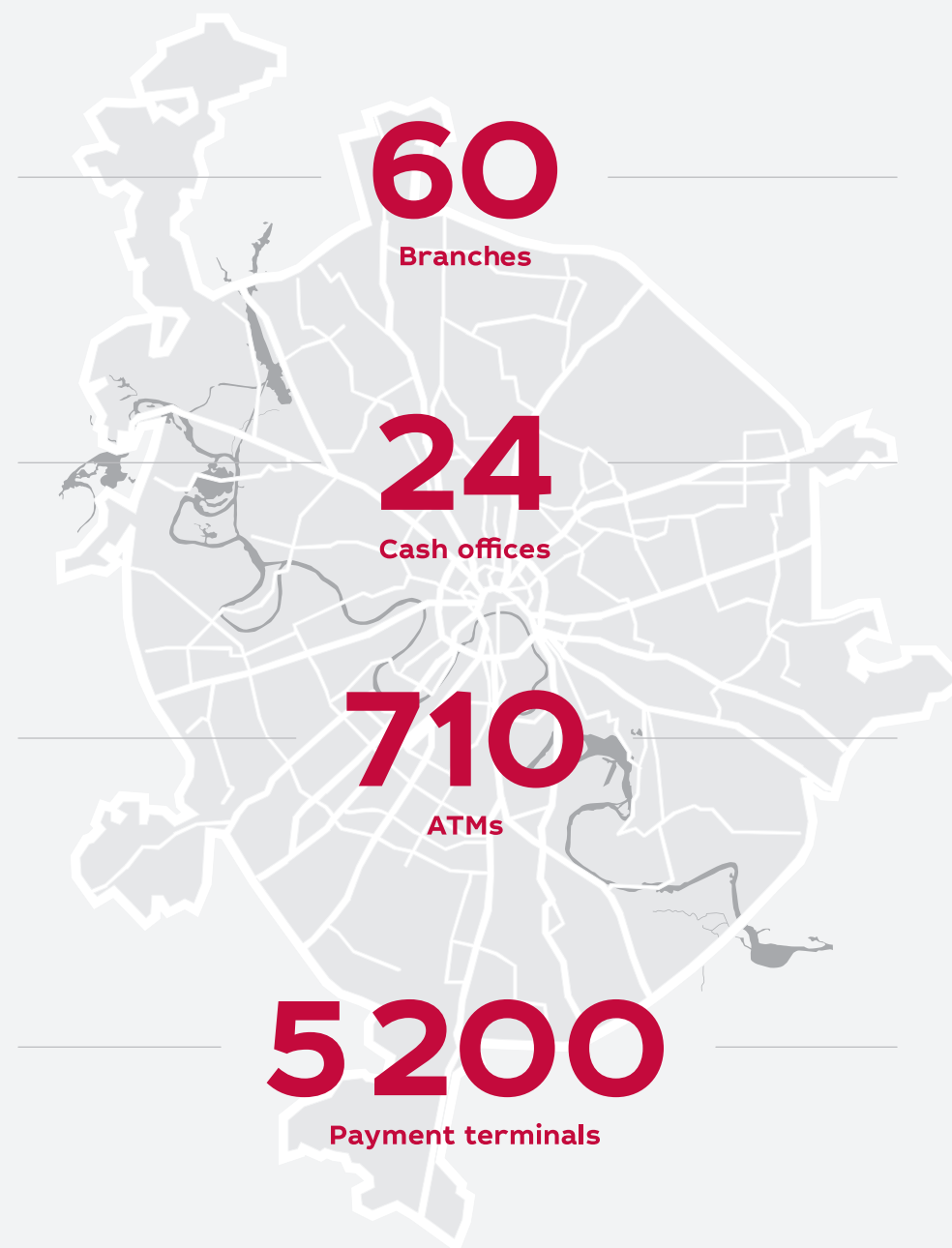
## Position in the industry

CREDIT BANK OF MOSCOW is the largest regional privately-owned commercial bank with international equity participation operating and dynamically developing in Moscow and the Moscow Region offering the full range of services for corporate and retail customers.

### Geographic presence

The Bank's operations are concentrated in Moscow area as the most promising for business development. As at December 31, 2013 the Bank's network comprised 60 branches, 24 cash offices in Moscow and Moscow Region, 710 ATMs and 5,200 payment terminals.

Its network is integrated with that of Alfa-Bank, and together it includes 4,300 ATMs and 5,200 payment terminals, thus creating one of the largest payment device networks in the Russian banking market. The Bank also cooperates with Unicredit Bank and Rosgosstrakh Bank. This pooling of self-service device networks has made banking services substantially more accessible for the banks' customers.





## Ratings and rankings

The Bank's strong position in the Russian and international markets is 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 — long-term credit rating «BB-» short-term credit rating «B», Russia national scale rating «ruAA-»;

Expert RA — international scale credit rating — «A++», national scale credit rating — «A++», stable outlook

RusRating — international scale credit rating — «BBB+», national scale credit rating — «AA+», stable outlook.

In 2013 Fitch Ratings and Standard & Poor's upgraded the Bank's international ratings.

Fitch Ratings Agency decided to upgrade the Bank' rating on the strength of factors which positively influenced the Bank's assessment. These were the extended track record of high profitability compared to competitors and asset quality. Fitch also noted an improvement in the quality of the Bank's capital and the expansion of the Bank's presence in the region together with growth in the customer base in terms of both assets and liabilities.

Standard & Poor's upgraded the Bank's ratings after a reassessment of its systemic importance and included CREDIT BANK OF MOSCOW in its list of thirteen systemically important Russian banks.

In 2013 Moody's upgraded the Bank's national scale credit rating and confirmed its international ratings.

## Ranking of Russian banks

	2013	2012
Assets	Nº 13 ▲ +8	Nº 21
Corporate loans	Nº 13 ▲ +4	Nº 17
Retail loans	Nº 18 ▲ +8	Nº 26
Loan Portfolio	Nº 13 ▲ +4	Nº 17
Deposits	Nº 14 ▲ +6	Nº 20
Corporate deposits	Nº 15 ▲ +5	Nº 20
Retail deposits	Nº 12 ▲ +3	Nº 15
Profit	Nº 15 ▲ +3	Nº 18

Source: Expert RA, Banki.ru

## Other key rankings and awards

<b>Major private banks without majority interest of state / foreign institutions (by Assets)</b> Source: Banki.ru – as per RAS, as at 01.01.2014	4	<b>Best bank in 2013</b> Source: Banki.ru – annual award	1
<b>Cash Handling Ranking Moscow/Russia</b> Research of INTERFAX CEA, made in 2013	2 / 4	<b>Best credit card in 2013</b> Source: Banki.ru – annual award	1
<b>Ranking of retail banks</b> Source: Kommersant Dengi, as at 01.01.2013	14	<b>Top-50 banks by profitability per outlet</b> Source: RBC Rating, December 2013	7
<b>Ranking by Factoring Portfolio</b> Source: Association of Factoring Companies, as at 01.01.2014	9	<b>Top-50 banks by loans per outlet</b> Source: RBC Rating, February 2013	5
<b>Ranking by the number of payment terminals</b> Source: RBC Rating, as at 01.01.2013	2	<b>Top-50 banks by deposits per outlet</b> Source: RBC Rating, February 2013	8
<b>Ranking by the number of ATMs in Moscow</b> Source: RBC Rating, as at 01.01.2013	6	<b>Award for the asset control quality on the X conference «Risk management in Russia»</b> Source: Expert RA	1
<b>Additional offices efficiency index for 2013</b> Source: Renaissance Credit	1	<b>Award in the nomination «Leader in SME loans growth rates»</b> Source: Expert RA	1
<b>Top-50 websites of Russian banks in 2013</b> Source: Markwebb Rank & Report, as of October 2013	1	<b>Quality of information disclosure in IFRS</b> Source: Fitch Ratings, September 2013	4
<b>Rating of remote banking services systems</b> Source: Markwebb Rank & Report, as of April 2014	2	<b>Ranking of Russian banks by the reporting quality and corporate governance information disclosure</b> Source: research of Russian Regional Network on integrated reporting (RRN) in 2013	5 / 6

**From stated course  
to success**



## 4. Competitive advantages



The Bank has a number of competitive advantages in the Russian banking market.

### **Established position in the Moscow area banking market and significant potential for further business development in this area**

The Bank's network essentially covers Moscow and the Moscow Region which is the most developed and financially-active area in the Russian Federation in terms of population, GRP and territory competing with the capitals of many developed and developing countries. The Bank's area of operations is distinguished by such factors as a low unemployment rate (below 1%), a consumption level significantly above the country average, the concentration of businesses (including the largest and internationally prominent companies), a development rate above the regional average. These factors are indicative of the large potential for development of the area itself and the Bank's operations in the area.

### **Robust business model focusing on the corporate business development with greater emphasis on the wholesale and retail segment, as well as on the dynamic growth rate of the retail business**

The key area in the Bank's business model is the corporate banking business where the Bank has a competitive advantage in the form of an additional monitoring and risk management tool compared to its competitors, being a sophisticated cash handling service which allows it to monitor the risks of a reduction in liquidity for the majority of its customers represented by retail chains. This area of activity

has synergy with the Bank's traditional corporate business and allows the Bank to strengthen its relationships with its corporate customers and to offer specialist products such as advances against future collections. The market segment of cash handling has significant entry barriers due to the large infrastructure costs necessary for providing such services. Loans to retailers and wholesalers comprise 50% of the lending portfolio. The Bank has invaluable long-term experience particularly in working with such companies which allows it to develop and offer precisely those products and services they need at specific points in their cooperation with the Bank.

The Bank's strategy of active retail business growth is based on a deep understanding of the target customer and a focus on highly credit-worthy customers. A well-developed corporate customer base and its potential for growth are one of the most important sources of the Bank's retail business growth. Also, the Bank is actively developing cross-selling and other channels for retail customer acquisition and servicing, notably the payment terminal network totalling 5,200 installations. This network is one of the largest in Moscow, and gives access to the payment history of one in two persons whose loan applications are being considered by the Bank, according to research conducted by the Bank. Access to such information minimises the risk of fraud from walk-in customers and ensures better quality in the growth of the business.

In this way, the Bank concentrates its activities in one of the fastest growing consumer markets which is comparatively resistant to the impact of external factors compared to other sectors of the economy. With a business growth rate above the market average the Bank has unique additional instruments for control of asset quality, which is one of its competitive advantages.

### **Very high service standards: a flexible and innovative approach to banking services**

Across all of its business areas, the Bank takes an individual approach to its customers and endeavours to be as flexible as possible in its relationship with its customers. The Bank's proven procedures and principal focus on Moscow and the Moscow region enable it to be flexible with its policies where appropriate and to make decisions more quickly than many of its competitors. A hallmark of the Bank is to offer its customers a fast decision-making process on loan applications in comparison to state-owned banks and banks with foreign capital, while maintaining high standards of credit risk management and customer service quality.

The Bank uses advanced information technology for providing its customers with more user-friendly services, and it is expanding its retail operations through the provision of innovative products and various marketing techniques. The Bank has a CRM system for its corporate and retail banking businesses and is currently in the process of improving the system to make it more flexible and efficient. This allows the Bank's customer relationship managers to monitor and analyse the transactions of each individual customer within the Bank. As part of its strategy, the Bank is actively developing new delivery channels of services for its customers, including the delivery of banking products and the provision of a wide range of financial choices through full scale branches, and remote banking services (ATMs, payment terminals, remote banking through the use of Customer-Bank Electronic Payment Systems, CBM Online Banking System and mobile applications).

The Bank's network is an efficient platform for selling banking products and servicing retail customers. The Bank's branches are conve-

niently located and have working hours which set the Bank apart from its competitors in terms of customer convenience and satisfying the customers' needs.

The Bank's network of payment terminals holds the leading position in its area of operation. CREDIT BANK OF MOSCOW's customers have access to the integrated payment terminals system across the country on an equal basis due to partnership programs with other Russian banks.

The Bank also holds the leading position in the banking sector in terms of the convenience and reliability of its web portal, online bank and mobile applications, which emphasises the Bank's focus on innovative development of the services offered.

### **Highest risk management standards: quality and liquidity of loan and securities portfolios**

The Bank's low NPL rates compared to other Russian banks are a result of the Bank's conservative risk management practices, strict underwriting procedures and unique risk monitoring instruments. In the first place the Bank works with quality corporate borrowers, such as retail business chains and top-tier companies, and also with retail banking customers who are current customers of the Bank, employees or partners of its corporate banking customers, or public sector employees.

A considerable proportion of the Bank's loan portfolio is of a short-term nature which is reflected in the degree of risk which the Bank assumes. The Bank also has a relatively high level of diversification in its loan portfolio across various economic sectors, and it continues to pursue this policy as a means of lowering credit risk.

The Bank's securities portfolio is an instrument of additional liquidity. The Bank has practically no investments in high-risk products such as shares and securities of limited liquidity.

### **High operating efficiency with a potential for further growth**

The Bank's operating efficiency is significantly higher than that of its competitors due to such factors as the concentration of its activity in one area, centralised decision making, the active development of remote service channels and innovative products which reduce the branches' work load, strict cost control. Due to the concentration of its business in one area the Bank has lower operating expenses than most of its competitors and is not exposed to the risks and costs related to managing a vast regional branch network. Also, a significant amount of capital has already been invested by the Bank in IT development and expansion of the Bank's branch network in recent years, which allows the Bank to achieve additional benefits of scale while expanding its operations.

### **Shareholders' support**

The Bank's controlling beneficial owner is Mr. Roman Avdeev. Mr. Avdeev purchased the Bank in 1994 and currently beneficially owns 85% of the Bank's shares.

The Bank also has long-term relations with a number of international financial institutions, such as EBRD and IFC, in the course of which those institutions have provided various forms of financing to the Bank, as well as becoming shareholders in 2012 by acquiring a 15% share in the Bank's capital. The transparency and openness of the Bank's business was one of the factors which allowed it to establish and develop part-

nership relations with these institutions. The Bank's shareholders have over time provided financial support, compatible with its growth rate, through increases in equity. Their total investments in the Bank's equity since 2010 have amounted to RUB 17.6 bln.

### **Experienced management team**

The Bank's management team has wide-ranging domestic and international experience and also an understanding of the Russian business environment. The Bank's team, by its joint efforts in recent years, has demonstrated dynamic high quality growth and the achievement of the profitability targets of the business. The Bank's Management Board consists of nine members, each of whom has considerable experience in working in the Bank and an in-depth knowledge the Russian banking sector. The Bank's Supervisory Board consists of twelve members, of whom five are independent directors, and two are delegated by the minority shareholders (IFC, EBRD and RBOF Holding). The Supervisory Board members are experts of international standing, having extensive experience in various fields such as international finance, investments, capital markets and accounting. The Supervisory Board has formed fully-functional key committees, and in all its activities the Board adheres to the highest standards of international corporate governance.



## 5. Strategy, mission and values

**From determination  
to achievements**





## Strategy

CREDIT BANK OF MOSCOW retains its positions as the largest regional bank in Russia operating exclusively in Moscow and the Moscow Region, the fastest growing and most important economic region in the country. The Bank is notable, above all, for its fast, but sustainable and quality growth, its unique business model developed over many years, its transparent ownership structure and corporate governance, and its sophisticated risk assessment and control system incorporating unique asset quality monitoring methods.

One of the Bank's objectives during recent years has been to maintain high business growth rates without compromising its efficiency. Its considerable experience of working with corporate customers who still have the largest share in its loan portfolio, and especially with companies in the wholesale and retail trading sector where growth has been most dynamic in recent years, enables the Bank to achieve above-market growth rates. In parallel with the corporate segment, the Bank has actively developed its retail business in last three years by creating attractive products, opening more branches, widening its payment terminal network and promoting brand awareness. In carrying out its growth strategy, the Bank has devoted and continues to devote considerable attention to its risk management system's efficiency and quality. The Bank's key strategic goals include:

### Maintaining sustainable growth rates

The Bank is firmly determined to keep its position among the Top-5 largest privately owned banks based, in the mid-term, on the substantial development potential of both corporate and retail business in Moscow and the Moscow Region. The Bank plans to develop dynamically the retail segment so that its share in the loan portfolio will reach 35% by 2014. The Bank plans to remain highly competitive due to estab-

lished close relationships with corporate customers, the efficient use of internal and external resources to attract retail customers, the improvement of products and raising service quality.

### Maintaining the quality of assets at a high level

The Bank continues to pay close attention to the quality of its loan portfolio. The Bank's awareness of trends in the earnings of customers to whom it provides cash handling services and the ability to apply collected revenues to repayment of any outstanding loans, allows it to manage its credit and liquidity risks with maximum efficiency. To maintain the credit quality of its portfolio, the Bank intends to keep focusing on sectors of the economy already well known to it such as the wholesale and retail trade which is advantageous for being less cyclical (compared to commodities, for example) and more resistant to adverse external factors, for short loan tenors, for the notable growth and development of the sector over the recent years, for the demand for a wide range of the Bank's products, for broad cross-selling opportunities and the possibility to control risks through the cash handling service. Furthermore, in pursuit of loan portfolio diversification, the Bank also plans to strengthen its relationships with large strategically important Russian companies. As for retail lending, the Bank has a conservative risk assessment approach and places maximum emphasis on lending to low risk segments: the Bank's existing customers, its corporate customers' and partners' employees, and customers with good credit history. Together with the efficient use of its sales channel platform and additional risk control via the payment terminal network, its selective approach to customer selection allows it to achieve its qualitative portfolio metrics. In addition, being concentrated in the most financially developed and fastest growing region of Russia also contributes sig-

nificantly to the quality of the Bank's assets. The portfolio's high quality is also achieved due to a robust loan recovery system.

### **Cost control**

Its ratio of operational expenses to operational income identifies the Bank as one of the most efficient in the Russian market. The Bank plans to keep its operational efficiency at a high level by optimising its operational expenses and increasing its operational income, and by further developing its management and control systems. The potential for maintaining high performance levels is ensured by the strategy of centralised operation and development within the region of activity, by focusing on remote customer service channels and the development of unique products designed to minimise the branches' workload, and by the fact that investment in the Bank's IT infrastructure development and enhancement and in the expansion of its branch network were made in previous years.

### **Revenue maximisation**

The Bank maximizes its revenues by cross selling and by making its existing sales channels more efficient through switching to remote channels of customer service and acquisition. Cross sales help increase interest income from the Bank's retail customers while maintaining its retail portfolio quality at a high level. In parallel with interest income, the Bank also plans gradually to expand the retail component in its fee and commission income structure. For its corporate customers, the Bank also maintains and develops a fee and commission income generating product range. All these steps are to enable the Bank, in the long term, to have a more balanced earnings structure and be more flexible in the changing economic environment.

### **Ensuring information transparency and the highest corporate governance standards**

The Bank undertakes on an ongoing basis improvements to its corporate governance system by reference to best domestic and global practices. This process started in 2008 and continues to date with substantial support from the international minority shareholders.

### **Attracting and retaining top managers and employees**

One of the key business objectives of the Bank is to maintain a leading position among Russian financial institutions in terms of the scale of business, quality and diversity of services offered as well as financial stability. To achieve this objective, a key element of the Bank's strategy is to create a top management and staff retention system in line with the best industry standards. The Bank plans to stay focused on the professional development and training of its staff within the Bank, rather than recruiting talent from elsewhere. However, whenever necessary, the Bank will recruit external labour resources with the necessary knowledge and skills required to reinforce the management team at all levels.

### **Increasing brand awareness**

The main objectives of the Bank are to ensure quality growth above the level of the market, to extend the retail segment in the loan portfolio and maintain its position among the Top-5 largest private banks. To achieve these objectives, the Bank must increase awareness of its brand. To strengthen the Bank's competitive position in retail lending, its brand positioning will focus on the quality of its services (speed, customer convenience), and not only on attractively priced offerings. The Bank has an action plan for the next 3-5 years to raise awareness of, and strengthen, its brand, which will require significant additional investment.

## Mission

The Bank is the largest regional privately owned commercial bank with international capital, operating and dynamically developing in Moscow and Moscow Region and providing a full range of services to corporate and retail customers. The Bank's activities are based on a transparent business model, effective management, and high level of corporate governance compatible with international standards. The Bank sees its mission in contributing to the economic development and social well-being in the Russian Federation by meeting public demand for high quality financial services, offering mass as well as exclusive bank products based on best international and Russian practice.

## Values

The Bank adheres to socially responsible business practices and ensures compliance with international standards of business efficiency and quality.

The Bank maintains the effectiveness of the work and coherence of the team as a whole and of each employee in particular through the provision of ethical and professional guidelines and values which allow for the creation of a unified professional team.

**From strategy  
to tactics**



## 6. Overview of operations



## Corporate business

### Corporate lending

Corporate business remains the key segment for the Bank. Thanks to the concentrated nature of its development in Moscow and Moscow Region, the most economically advanced and the most densely populated area of Russia with the headquarters of some of the country's biggest companies and where the level of salaries substantially exceeds the average for the rest of Russia, the Bank has competitive advantages for attracting corporate customers and their employees. In 2013 the Central Bank adopted a much stricter approach to the regulation of commercial banks, which led to more severe competition among Russian banks, including privately owned banks, and to customers' migration to larger banks.

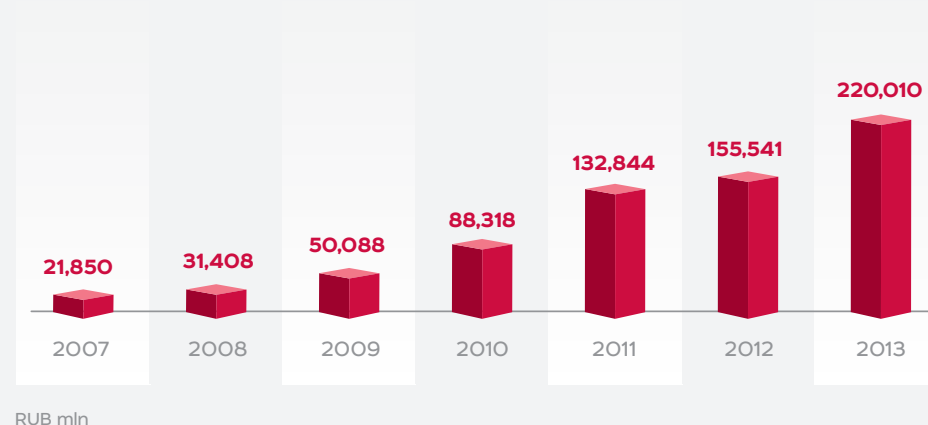
The Bank offers its corporate customers a wide range of lending products, including overdrafts, loans backed by sales receivables, current account facilities, working capital loans and short-term loans, long-term fixed asset financing, leasing, factoring and trade finance instruments, such as guarantees and letters of credit. The Bank also offers soft lending under special programmes, with support of both domestic and international development banks: financing energy-saving projects; financing agricultural and food industry enterprises; support of small and medium-sized businesses.

The aggregate volume of the Bank's corporate loan portfolio was RUB 220.0 bln as at 31 December 2013, an increase of 41.5% compared to 2012.

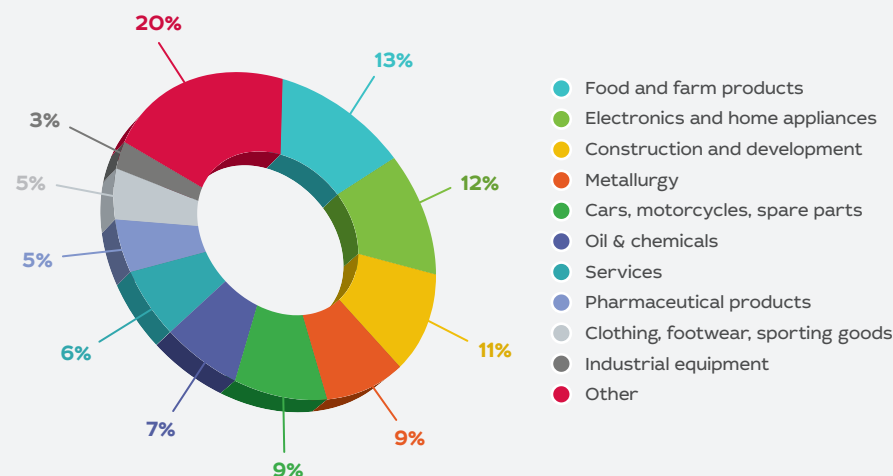
In accordance with the Bank's risk management policy of minimising unsecured corporate lending, most loans are granted against a pledge of assets or guarantees, with a focus on short-term lending.

Over the many years of developing corporate business, the Bank has been able to develop strong ties with its extensive customer base

### Evolution of corporate loans (before provisions)



### Corporate loan portfolio by industry



numbering, as at the end of 2013, over 15,000 active customers. The Bank has been traditionally oriented to working with wholesale and retail companies, which has played an important part in achieving the high quality indicators of its portfolio, due to additional risk management tools being available for this category of companies. The Bank's customer base is represented mostly by medium and large companies. Customers with revenues exceeding RUB 10 bln represented 71% of the Bank's corporate loan portfolio at end 2013.

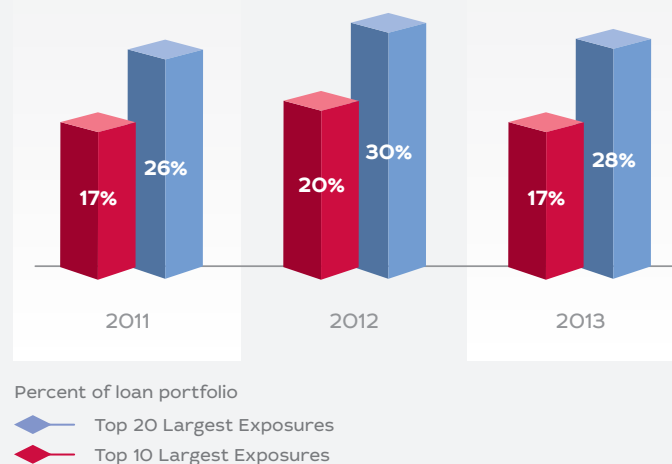
The Bank's loan portfolio is very well diversified. As required by the Bank's internal policy, no single sector accounts for more than 20% of its corporate loan portfolio, while 68% is attributable to loans of up to 1 year. As at 31 December 2013, 12.8% of corporate loans were to food companies and agribusinesses, 12.2% to companies trading in home appliances, electronic equipment and computers, 10.6% to developers of residential and commercial property.

In spite of a reduction in companies' demand for loans as Russia's economic growth slowed down in 2013 and competition in the banking sector became more severe, the Bank's corporate loan portfolio showed an impressive increase without any signs of deteriorating quality.

### Guarantees and letters of credit

Bank guarantees and letters of credit represent an increasing and regular source of fee and commission income for the Bank and are particularly used by the Bank's corporate customers. The Bank offers bid guarantees, customs guarantees, performance bonds, instalment payment guarantees and advance payment guarantees. Guarantees and letters of credit represented 16% of the Bank's total fee and commission income in the year ended 31 December 2013. The volume of transactions rose by 72.9%. Guarantees and letters of credit are an attractive product for the Bank because, unlike loans, they are not

### Largest borrowers



priced based on the Bank's cost of funds, which enables the Bank to compete effectively with state-owned banks in this area.

### Trade finance and documentary transactions

The Bank is one of the leaders in this market segment of trade finance and documentary transactions among Russian banks. The Bank's correspondent network for these transactions consists of over 60 foreign banks. The product range includes letters of credit, guarantees, collections, export documentary transactions and trade loans.

Since May 2005, the Bank has been an active participant in EBRD's Trade Facilitation Programme which gave it access to a USD 15 mln line of credit, which has since increased several times, reaching USD 100 mln at the end of 2013 and USD 150 mln in April 2014. The Bank also obtained a USD 10 mln line of credit under the IFC's Global Trade Finance Programme in February 2006, which increased over time to

reach USD 140 mln at the end of 2013. These IFC/EBRD limits are among the largest approved for Russian banks.

In 2013 the Bank concluded over 400 trade finance transactions totaling USD 1.7 bln, which is 94% more than in 2012.

The substantial increase in the volume of trade finance transactions is due to the advent of new customers to the Bank from among the largest systemically important companies.

The Bank co-operates with major international export credit agencies to structure long-term equipment purchase transactions by its corporate clients. Its payment guarantees for short-term transactions are accepted by Euler Hermes (Germany), Exim Bank (USA), SACE (Italy), COFACE (France), CESCE (Spain), EKN (Sweden), ASHR'A (Israel), OeKB (Austria), MEHIB (Hungary), EDC (Canada), KUKE (Poland), ONDD (Belgium) and FINNVERA (Finland).

The Bank now has access to more than USD 1.3 bln of trade finance facilities with financial institutions globally.

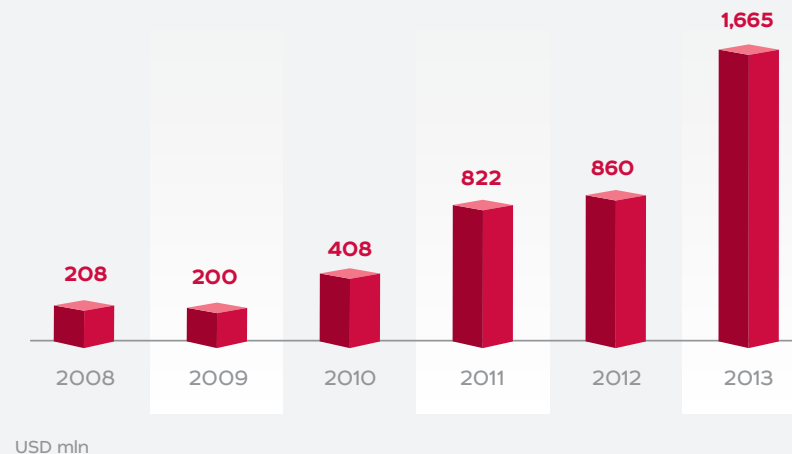
### International payments

The Bank has a broad correspondent account network in all major currencies with leading financial institutions worldwide. The Bank's correspondent network includes approximately 80 accounts held with domestic and foreign credit institutions, enabling the Bank to effect different types of payments to various parts of the world in a timely and cost-efficient manner.

### Leasing, factoring

The Bank provides leasing services for financing assets such as machinery, vehicles and other specialist equipment. In the reporting period, in

### Trade finance and documentary transactions



line with expanding its leasing operations, MKB-Leasing Ltd, a company owned by the Bank, purchased M-Leasing, which increased the opportunity of the Bank to offer leasing services to its customers.

The Bank has also offered its clients factoring services since 2005. The Bank has a credit line from EBRD to develop its factoring business. Before July 2011, most factoring services provided by the Bank were offered on a recourse basis, i.e. with recourse to the original creditors of the debts purchased by the Bank in the case of the respective debtors' default on their payment obligations. In July 2011, the Bank launched a new non-recourse factoring product for creditors of small and medium-sized businesses. At year end 2013, factoring turnover was RUB 52.2 bln, the factoring portfolio exceeded RUB 10.4 bln, a total of 121,246 deliveries to 650 debtors were financed, and the number of customers exceeded 148. Based on the 2013 year-end data of the Association of Factoring Companies, the Bank ranks 9th among all fac-

toring market participants by the size of its portfolio and 6th by the number of debtors served.

The Bank plans to expand its factoring business in the future, in particular beyond the Moscow Region.

### Corporate funding

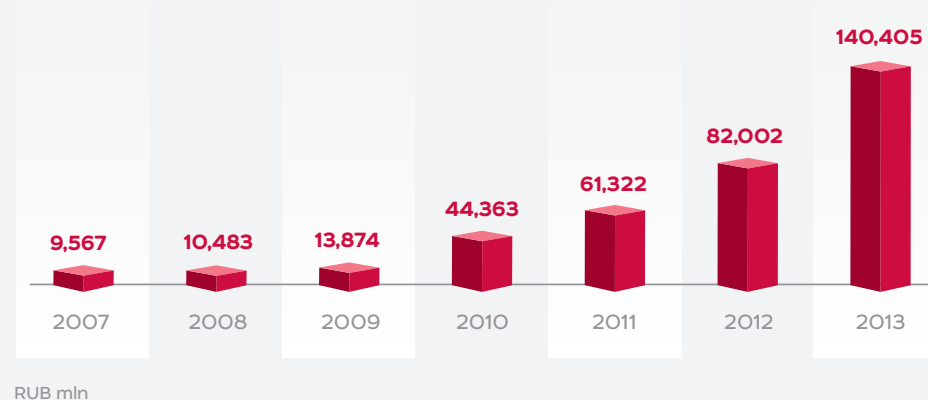
The Bank provides current account services to, and accepts time deposits from, its corporate customers. The Bank endeavours to develop new products to meet its customers' requirements. The Bank's deposit product range represents a comfortable mix for customers in terms of currency, maturity, interest payment frequency and flexibility of management. The Bank offers competitive interest rates on corporate deposits. The Bank's corporate customers can also opt for a fixed interest earning rate on a minimum balance on their current accounts.

As at 31 December 2013, the volume of deposits by corporate customers amounted to RUB 140.4 bln or 51.1% of the Bank's total deposit portfolio.

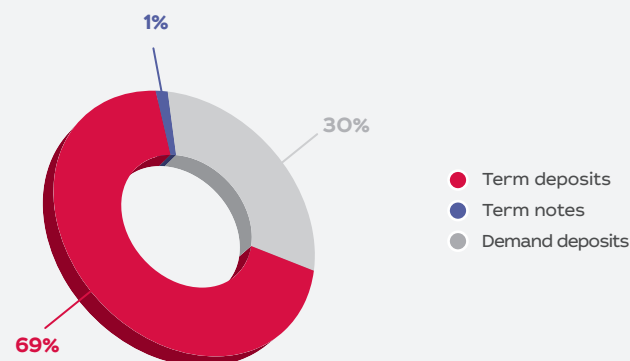
As of 31 December 2013, 30% of the corporate customers' funds were attributable to demand accounts. 41.6% of corporate deposits come from financial companies, 16.7% from oil industry customers, and 10.5% from construction and development companies.

In addition to current accounts and deposits, the Bank offers its corporate customers to acquire the Bank's promissory notes which are liquid financial instruments to be used as collateral or realised. As at 31 December 2013, the Bank's promissory notes outstanding amounted to RUB 6.6 bln.

### Historical levels of corporate deposits



### Types of corporate deposits



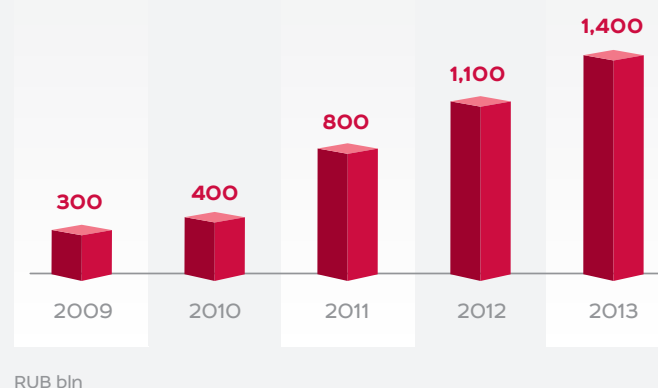


## Cash handling

The Bank is one of the market leaders in providing cash handling services to businesses in Moscow, the Moscow Region, and Russia as a whole. According to an INTERFAX survey of three quarters in 2013, the Bank was the 2nd largest cash handling service provider in Moscow, the 4th largest in Russia and the largest privately owned bank providing cash handling services in Moscow. The survey showed that the Bank held a 19% share of the Moscow market for cash handling services in terms of the value of cash handled. Cash handling services are in high demand in Russia, especially among customers engaged in retail business, an overwhelmingly cash-intensive business. Cash handling is a tool to manage credit risks through monitoring customers' cash flows and allows for direct debit of customers' accounts in repayment of their indebtedness in case of failure to pay. The provision of cash handling services helps to differentiate the Bank from its competitors, and is an additional advantage for the Bank in attracting and retaining corporate customers.

The Bank has two cash settlement centres of its own in north and south Moscow, where physical cash is accepted, counted and credited to customers' accounts, with one more to be opened by end 2014. As at end 2013, the Bank's vehicle fleet consisted of more than 240 armoured cash handling vehicles of varying capacity. The cash handling services allow the Bank to service its payment terminals and ATMs which are allocated on cash handling vehicles' routes, which minimises the Bank's cost in servicing its own network of technical equipment. As at 31 December 2013, the Bank had over 180 cash handling routes compared to 150 as at 31 December 2012 and 122 as at 31 December 2011. In 2013 the number of cash handling points exceeded 11,000 compared to 8,833 and

## Cash Handled Volumes Dynamics



6,583 as of 31 December 2012 and 2011, respectively. The Bank transported over RUB 1,400 bln worth of cash in 2013, which is RUB 300 bln more than the year before. As at 31 December 2013, the Bank had over 1,000 cash handling customers (of which 37 were banks) and the Bank's client base is well diversified.

In 2013, the Bank received RUB 1.2 bln as fee and commission income from cash handling services, which was 18% higher than the same indicator for the previous year. The Bank aims to continue development of these important activities which creates synergy with the development of corporate business in the future. Research conducted by 2GIS company at the beginning of 2014 shows that nearly 80% of retail firms in Moscow do not accept plastic cards as a means of payment, which confirms the high level of the economy's dependence on cash settlements, and the correctness of the Bank's choice in the direction of its development.

## Retail business

The main trend in the banking sector in 2013 was a decrease in the retail loan portfolio growth rate from 36.3% in 2012 to 28.7% in 2013.

The quality of the retail loan portfolio deteriorated somewhat in 2013. Overdue retail debt grew 1.4 times higher than the loan portfolio itself. As a result, the share of overdue loans in 2013 rose by 0.4 p.p. to 4.4%.

Despite the unfavourable market situation, the Bank's retail loan portfolio showed a high rate of growth in 2013 and increased by 94.2%, amounting RUB 97.8 bln as at December 31, 2013. The highest growth rate was observed on the segments of consumer lending and credit cards. In 2013, as part of the implementation of the Bank's strategy, the share of retail loans in the total loan portfolio amounted to 30.8%.

The Bank's retail banking services include loan products such as consumer loans, car loans, mortgage loans and credit cards; services for corporate clients' employees (corporate plastic cards and payroll services); and also deposits, debit cards, payments and transfers, foreign exchange, travellers cheques and safe deposit boxes. The Bank has been an active and recognisable player in the Moscow retail banking market since 2002, and it has all the necessary infrastructure successfully to acquire and serve customers and sees considerable potential in the Moscow market for retail banking services.

The main areas of the Bank's retail banking business are the high-margin general purpose consumer loans (70% of the retail loan portfolio), plastic cards and mortgage lending. The Bank cross-sells the products to its existing retail customers through special promotions. This approach helps minimise customer acquisition costs, improves customer loyalty, facilitates customer retention and minimise risks.

The risk metrics for retail lending remain at an adequate level despite its rapid growth because the Bank thoroughly analyses the risks and

applies a rigorous underwriting policy to select high quality customers. As at 31 December 2013, the Bank had approximately 640,000 retail customers. The Bank classifies its customer base (including both current and potential customers) into 4 risk categories based on different factors such as the availability of information about the customer, the quality of the customer's financial situation, and other no less important parameters. The Bank aims to develop its retail business with an emphasis on quality customers from the point of view of their risk category mainly focusing on current customers and new customers about whom the Bank has sufficient information, such as employees and clients of its corporate customers, and customers with positive credit histories. The percentage of walk-in customers is very low and this type of customer is not targeted by the Bank. The pricing policy of the bank is part of the risk management system which allows variations in the cost of loan products depending on the risk category of the borrower, the quality of the security or the borrower having accompanying insurance products which reduce the level of risk for the loan. The Bank has a first-class system of credit risk management on the basis of a model which is highly automated. A unique extensive customer database is continually updated with information from a large number of sources, including the payment terminal network.

The Bank pays serious attention to the quality of its retail loan portfolio and risk management. This is confirmed by the fact that, despite the substantial growth in the share of unsecured products (consumer and card loans) in the retail loan portfolio in 2013, the proportion of non-performing retail loans (NPL 90+) remained below the average market figures.

The Bank has an effective platform for attracting and servicing retail customers: remote service channels include a network of payment

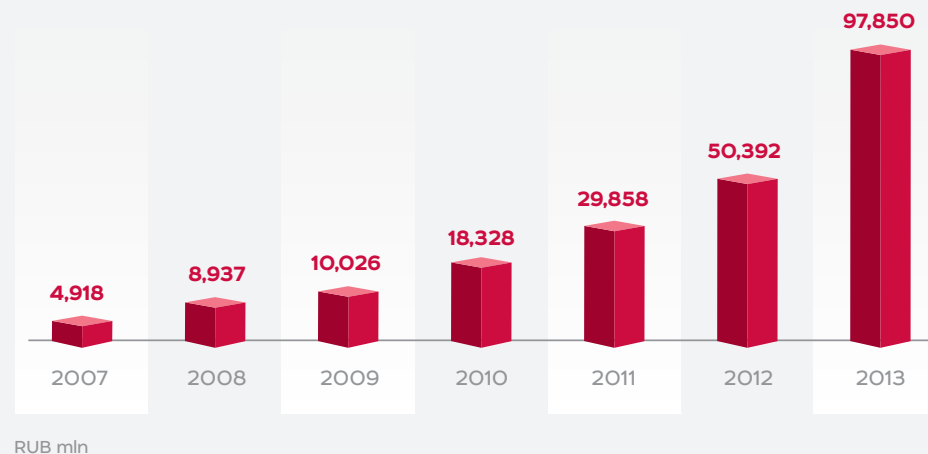
terminals, ATMs, Internet and mobile banking, call centre; in addition, the Bank actively develops sales through the DSA channel (sales to employees of corporate customers), which opens access to an enormous customer base. The wide network of terminals allows the Bank to improve its cost effectiveness considerably through low installation costs and the possibility of reducing the workload on branches; raise brand awareness, and attract new customers; it is an effective tool of control over risks, as it enables additional information to be obtained on the transactions of both current and potential customers; at the same time, it is an additional source of fee and commission income.

Opened in central Moscow one year ago, the Bank's specialised Retail Centre, where retail customers have access to the full range of its retail banking services with maximum convenience and a high level of customer service provided by advanced technologies, has already demonstrated its effectiveness: in 2013, the number of customers visiting the Retail Centre increased significantly, while the service time per customer substantially reduced. Thanks to the "one stop shop" principle, the time spent for each transaction in the Retail Centre decreased significantly compared to the Bank's typical branch. Each floor of the Retail Centre is provided with special equipment providing efficient automated control which assists in the subsequent analysis of customer throughput, which in turn ensures faster customer service in the future. The Centre also has a special VIP area for high net worth customers.

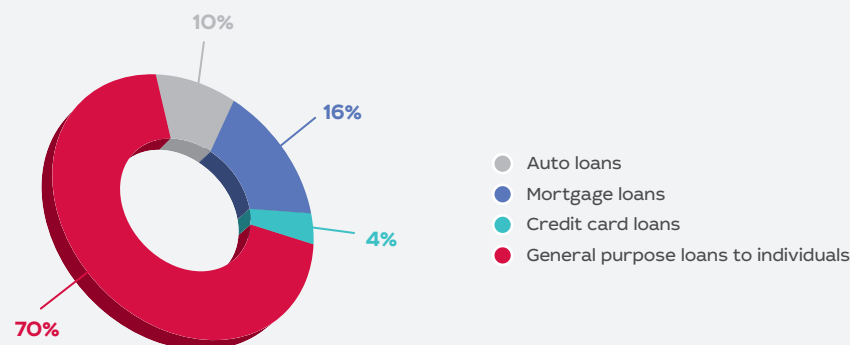
### General purpose consumer loans

The Bank offers general purpose consumer loans to finance various purchases. The market for general purpose consumer loans is highly competitive but profitable due to high interest rates. The Bank has an

### Historical levels of retail loans



### Retail loans structure





unparalleled competitive advantage of being able to sell, and provide a convenient way to repay loans through its own network of terminals and ATMs and also through other remote service channels.

General purpose consumer loans amounted to 74% of the Bank's retail loan portfolio or RUB 71.9 bln as at December 31, 2013 and were the main drivers of the growth of the retail portfolio.

The Bank offers insurance agency services in respect of its consumer loans. The Bank partners with major Russian insurance companies to provide voluntary life and health insurance to its consumer loan customers in support of their loan liabilities. General purpose consumer loans are now the main focus of the Bank's retail business development and are expected to remain the key driver of its retail loan portfolio growth in the future.

### Bank cards

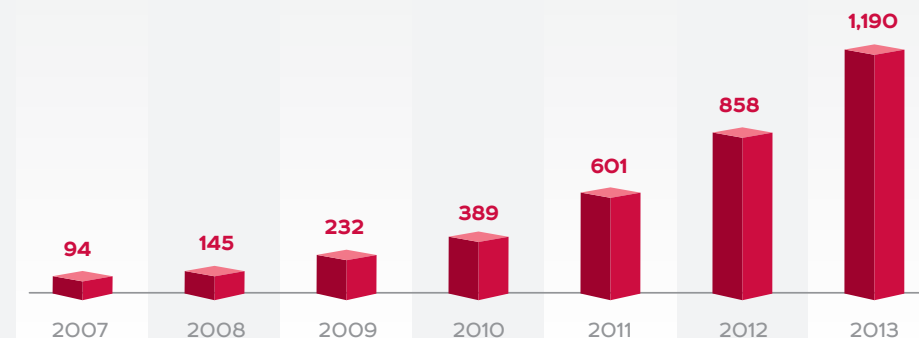
The Bank is a principal member of VISA International and MasterCard payment systems. Since 2006 the Bank has offered a wide variety of debit and credit cards to its customers. Types of cards and their features vary according to the selected tariff. The Bank issued over 1.19 mln plastic cards as of December 31, 2013.

In the year 2013 the volume of credit card business expanded significantly. The number and volume of transactions per card increased.

The Bank's card products generate a stable interest and fee and commission income. In 2013 the fee and commission income from plastic cards amounted to RUB 671 mln or 9.3% of the Bank's total fee and commission income.

The Bank aims to offer innovative card products to its retail customers including premium service terms and special premium products for

### Number of plastic cards issued



Thousands of cards

VIP customers. Back in 2009, the Bank was the first in the Russian market to offer a diamond-encrusted VISA INFINITE card. In 2010 and 2011, the Bank introduced a bank card which can be combined with a Moscow metro pass; a credit card for frequent travellers; and a bank card facilitating customs payments. In 2012 the Bank offered a new "unified card" to its customers, which combines the features of a debit card and a credit card. In 2013 the Bank introduced a new unique product "United Card"— a flagship Visa or MasterCard credit card with a deposit function, which allows the customer to use both a fast loan to pay for goods or services anywhere in the world or to place their own funds on deposit with interest. CREDIT BANK OF MOSCOW's United Card took the award for credit card of the year, out of some 800 similar products according to Banki.ru portal.

Plastic cards security is a priority for the Bank. Since 2012, the Bank issues only chip cards and uses a 3D Secure security system for on-line credit and debit card transactions.

The Bank also encourages its cardholders to make electronic payments and develops rewarding partner programmes in collaboration with its corporate customers. The Bank's cardholders can benefit from special discounts when paying by card in various restaurants and shops, and also receive special bonuses for making a particular number of transactions using the Bank's cards.

### Mortgage lending

The Bank's mortgage loan products are intended for retail customers with medium-to-high income and good credit history. The Bank currently offers mortgage loans with maturities ranging from 12 months to 20 years. All of the Bank's mortgage borrowers are insured by the leading Russian insurance companies.

As at 31 December 2013, mortgage loans accounted for 16% of the Bank's total retail loan portfolio, with the principal amount outstanding being RUB 15.7 bln

The proportion of mortgage loans in the portfolio is declining since the Bank aims to deal only with reliable and proven developers, and to place more emphasis on general purpose lending with higher growth rates.

The Bank plans to actively develop this lending segment.

According to the analyst agency "Rusipoteka", in 2013 the Bank was placed 20th in the ranking of mortgage finance banks and number 18 by the historical amount of mortgage loans issued. The Bank reached 6th position among mortgage banks in the Moscow region.

### Car loans

The Bank began offering car loans in 2002 and was one of the first banks in Russia to enter this market segment. Car loans represented

10.5% of the Bank's retail loan portfolio or RUB 10.3 bln as at 31 December 2013.

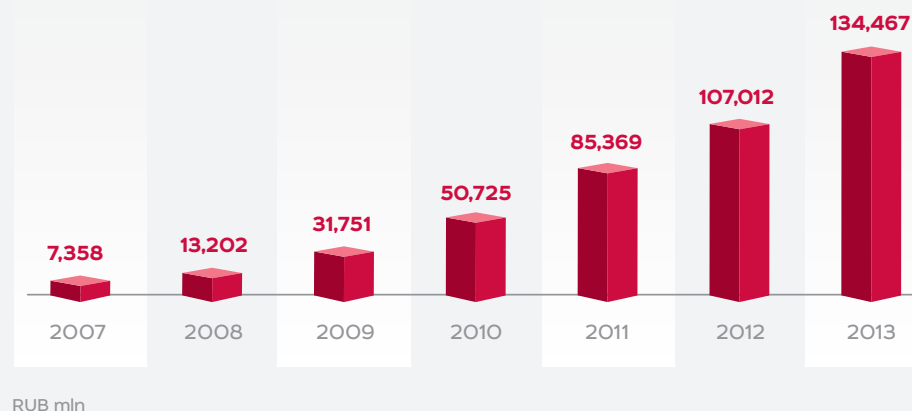
All of the Bank's car loans are secured by the cars purchased with the loan proceeds. All car loan borrowers are obliged to insure the vehicles securing their loans and to appoint the Bank as the beneficiary of the relevant policy. Under its car loan programme launched in June 2011, the Bank offers car loans with the maturity of up to seven years to its retail customers.

The Bank does not intend to promote this retail lending segment.

### Retail funding

Retail deposits represent a significant source of funding for the Bank. As at 31 December 2013, they accounted for RUB 134.5 bln or 48.9% of the Bank's total deposits by customers.

#### Historical levels of retail deposits



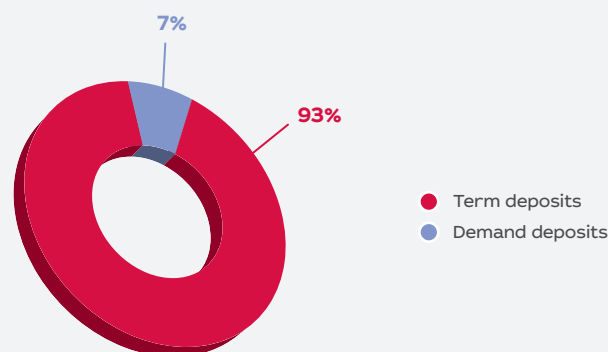
Over the past several years, the Bank has significantly increased its retail deposit base by extending its product range, carrying out an aggressive marketing campaign, expanding its branch network in Moscow and improving customer service. According to Expert RA, the Bank ranked 12th among Russian banks by retail deposits as at 1 January, 2014.

Most of the Bank's retail deposits are term deposits which account for 92.8% of the total retail deposit portfolio as at 31 December 2013.

The average term of the Bank's retail deposits as at 31 December 2013 was 24 months compared to 18 months as at 31 December 2012 and 16 months as at 31 December 2011.

In 2013, the Bank introduced a new product for customer convenience: the possibility to place deposits through payment terminals and Internet banking. In the case of a deposit placed remotely, the Bank offers increased interest rates to its customers. The innovative solution of the Bank, which was the first one to provide its customers with an opportunity to place deposits using its payment terminals, was recognized as one of the best marketing ideas according to the Association of Russian Banks' (ARB). ARB experts ranked the Bank second in the rating, calling the new service an extremely simple deposit placing solution.

### Retail deposits structure





## 7. Review of financial results

**From plans  
to performance**





## The main financial results of CREDIT BANK OF MOSCOW's performance in 2013

### THE BANK'S 2013 IFRS NET PROFIT INCREASED BY 53.7%

compared to 2012 and amounted to RUB 8.9 bln (USD 278.3 mln)

### NPL RATIO SLIGHTLY INCREASED TO 1.3%

in 2013 versus 1.0% in 2012; loan loss provisions grew to 2.8% of the total gross portfolio

### THE BANK'S EFFICIENCY MAINTAINED AT A HIGH LEVEL

with 20.1% return on equity and 2.4% return on assets

### CAPITAL CALCULATED UNDER THE BASEL ACCORD INCREASED BY 59.8%

in 2013 reaching RUB 71.9 bln (USD 2.2 bln), with a total capital adequacy ratio of 16.0% and Tier I capital adequacy ratio of 11.0%

### THE BANK'S ASSETS ROSE 47.1%

in 2013, reaching RUB 454.2 bln (USD 13.9 bln)

### THE BANK'S LIABILITIES ROSE BY 49.8% IN 2013

reaching RUB 403.5 bln (USD 12.3 bln)

### THE COST-TO-INCOME RATIO DECREASED TO 31.2%

as at the end of 2013 from 41.1% in the previous year

### THE CAPITAL ADEQUACY RATIO N1 STOOD AT 12.4%

as at the year-end 2013 calculated according to Basel III standards (under CBR's Regulation 395-P)

### THE AGGREGATE LOAN PORTFOLIO EXPANDED BY 54.4%

in 2013 to RUB 317.9 bln (USD 9.7 bln)

### CUSTOMER ACCOUNTS AND DEPOSITS EXCEEDED THE PREVIOUS YEAR'S FIGURE BY 45.4%

and amounted to RUB 274.9 bln (USD 8.4 bln)

### THE BANK'S EQUITY INCREASED BY 28.9%

in the year to RUB 50.7 bln (USD 1.5 bln)

		2011	2012	2013	CAGR 2011-2013
BALANCE SHEET	Assets	232	309	454	40%
	Gross loans	163	206	318	40%
	Corporate loans	133	156	220	29%
	Retail loans	30	50	98	81%
	Interbank loans	5	13	10	41%
	Securities	25	37	56	50%
	Equity	26	39	51	41%
	Customer accounts	147	189	275	37%
	Corporate deposits	61	82	140	51%
	Retail deposits	85	107	134	26%
PROFITABILITY	Securities issued	31	40	85	66%
	Net profit	3.9	5.8	8.9	51%
	NIM	4.9%	5.2%	5.2%	
	Cost / Income	39.8%	41.1%	31.2%	
	ROAA	2.0%	2.2%	2.4%	
ASSET QUALITY	ROAE	19.0%	18.2%	20.1%	
	NPL 90+ / Gross loans	1.1%	1.0%	1.3%	
	NPL 90+ coverage	2.1x	2.4x	2.1x	
CAR	Cost of risk	0.9%	1.0%	2.1%	
	Tier 1 capital (IFRS)	12.3%	13.4%	11.0%	
	Total capital (IFRS)	14.4%	15.8%	16.0%	
	N1 ratio (RAS)	12.3%	12.9%	12.4% *	

Absolute values are in RUB bln

\* N1 ratio for 2013 is calculated according to Basel III standards

## Interest income

In 2013, the Bank's interest income grew by 47.6% to RUB 42.0 bln from RUB 28.5 bln as at the end of 2012. The main reason for the increase in interest income was a considerable expansion of the corporate and retail loan portfolios.

As at the end of 2013, the share of the corporate sector accounted for approximately 59.9% of the total amount of interest income or RUB 25.2 bln (62.9% or RUB 17.9 bln as at the end of 2012), while the retail sector accounted for 28.3% or RUB 11.9 bln (24.1% or RUB 6.9 bln as at the end of 2012). The increase in interest income from retail business in the total volume of interest income is the result of the growth in the proportion of retail business in the total loan portfolio, and in particular of the proportion of high-yielding products such as general-purpose consumer loans and credit cards.

## Interest expense

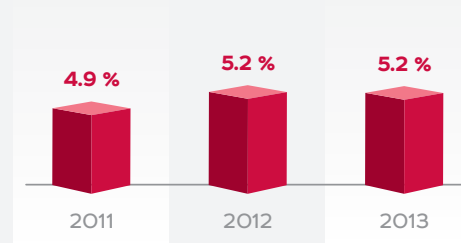
As at end 2013, the Bank's interest expense grew by 51.8% – to RUB 24.6 bln from RUB 16.2 bln as at the end of 2012. Interest expense for retail bank operations amounted to 45.9% of total interest expense or RUB 11.3 bln (50.6% or RUB 8.2 bln as at the end of 2012), while interest expense for corporate banking operations amounted to 22.4% or RUB 5.5 bln (20.9% or RUB 3.4 bln as at the end of 2012).

## Net interest income

Due to the high growth rate of the Bank's interest income in 2013, which exceeded the growth rate of interest expense, net interest income rose by 42.0% to RUB 17.4 bln from RUB 12.2 bln as of year end 2012.

The net interest margin remains at a consistently high level – 5.2%. The growth in the margin in 2013 was limited by increasing funding costs, despite the dynamic growth of the retail business.

### Net interest margin (NIM)



## Fee and commission income

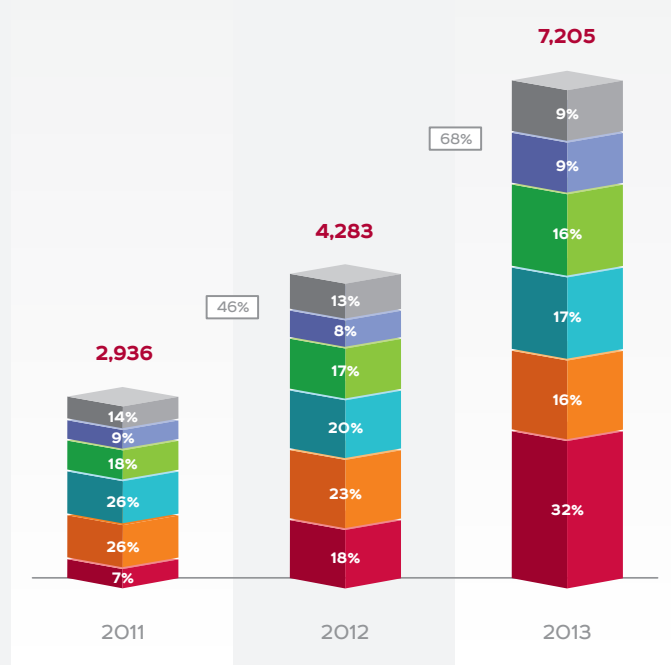
The Bank's fee and commission income increased by 68.2% compared to 2012 and amounted to RUB 7.2 bln, of which 32.2% is accounted for by commissions on loan insurance contracts (growth by 201.2% compared to 2012), 16.8% to clearing fees (growth by 42.1%), 16.4% to cash handling fees (growth by 17.9%), and 16.0% to guarantees and letters of credit commissions (growth by 56.0%).

The most significant growth of fee and commission income was shown by insurance contract transactions which is partially caused by the considerable growth of the retail loan portfolio. Fee and commission income from plastic cards also showed high growth – 89% as the end of 2013 – to RUB 0.67 bln from RUB 0.35 bln.

In terms of cash handling, the Bank services not only its own network and customers, but also other financial institutions and their customers.

Growth in the number of third-party cash handling points during the year led to an 18% increase in fee and commission income from cash handling operations to RUB 1.2 bln.

### Fee and commission income structure



RUB mln

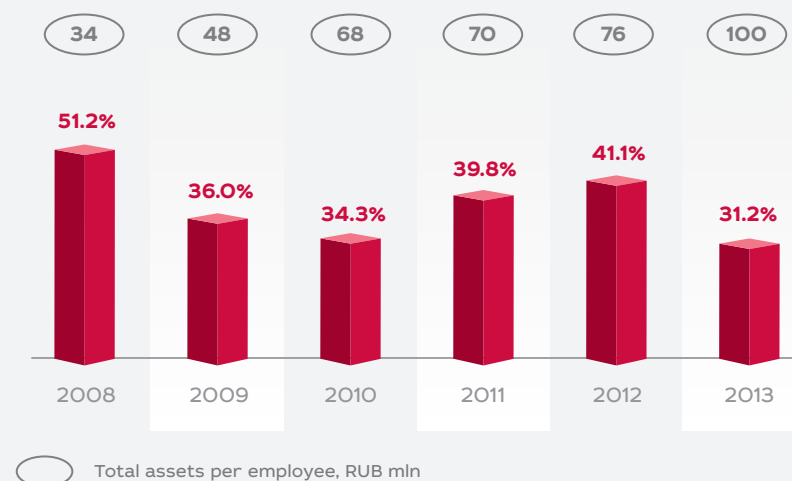
- Insurance contracts processing
- Settlements and wire transfers
- Plastic cards
- Cash handling
- Issuance of guarantees and letters of credit
- Other
- Fee and commission income Y-o-Y

### Operational income and expenses

In 2013, operating income (before provisions) increased by 53.8% reaching RUB 24.5 bln. Operating expenses (before other provisions) grew by a relatively modest 17.7% to RUB 7.7 bln mainly due to higher rentals for offices, ATMs and payment terminals, as well as an increase in staff numbers in line with the Bank's dynamic growth strategy.

Operational performance improved significantly: the cost-to-income (CTI) ratio declined to 31.2% compared to 41.1% in the previous year, which reflects the Bank's increased attention to growth in efficiency of its activities.

### Cost to income ratio



Total assets per employee, RUB mln

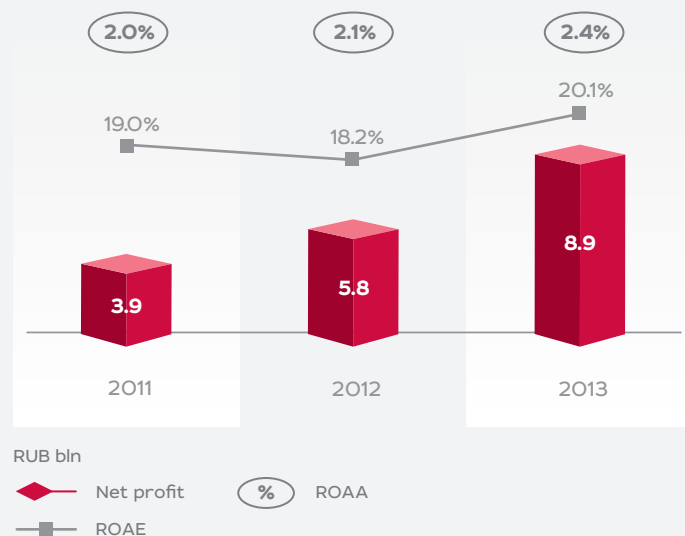


## Net profit

The Bank's net profit grew by 53.7% to RUB 8.9 bln in 2013 versus RUB 5.8 bln as at the end of 2012. This excellent financial result is due to an increase in revenues from core activities which are actively expanding in line with the Bank's strategy at a rate higher than the market average.

Return on average equity (ROAE) grew to 20.1% from 18.2%, while return on average assets (ROAA) rose to 2.4% from 2.2%.

### Net profit

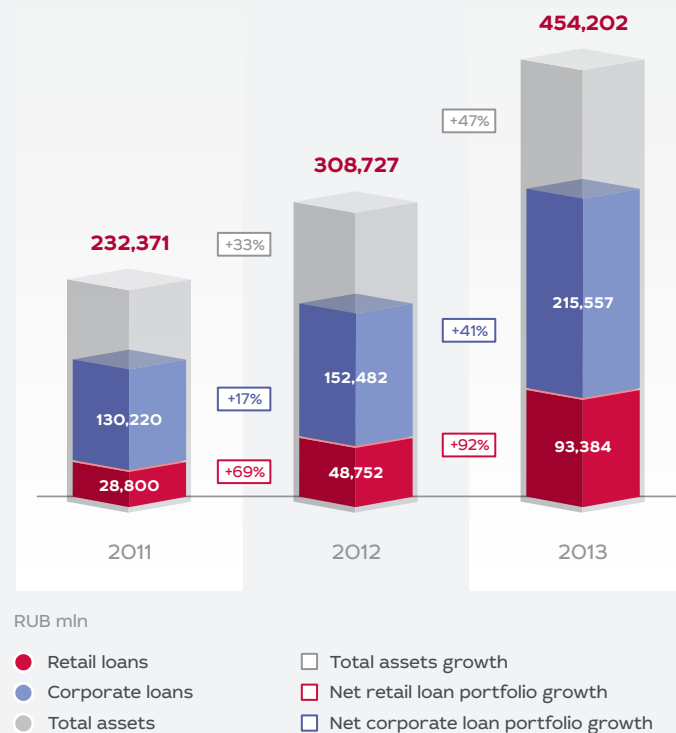


## Asset structure

As at the end of 2013, the Bank's assets grew by 47.1% and reached RUB 454.2 bln compared to RUB 308.7 bln as at the end of 2012.

The main driver of the growth in assets was the loan portfolio which rose by 54.4% and reached RUB 317.9 bln as at the end of 2013. The share of loans to customers represented 68.0% of the Bank's assets (65.2% as at the end of 2012).

### Assets and net loan portfolio dynamics



As at 1 January 2013, the amount of cash and cash equivalents rose to RUB 67.1 bln or by 41.3%. The share of cash and equivalents represented 16% as at the end of 2013.

The share of the securities portfolio in the assets structure remained at the level of 2012, and was 12% or RUB 55.9 bln (RUB 37.1 bln as at the end of 2012).

### Loan portfolio

In 2013, the aggregate loan portfolio (before provisions) rose by RUB 111.9 bln (+54.4%) to RUB 317.9 bln.

The corporate loan portfolio rose by 41.5% to RUB 220.0 bln, while the retail loan portfolio grew by 94.2% to RUB 97.8 bln. The aggregate net loan portfolio representing 68.0% of total assets rose by 53.5%, and reached RUB 308.9 bln as the closing date. Roubles remain the main currency of lending, and represented approximately 80% of the loan portfolio as at the end 2013.

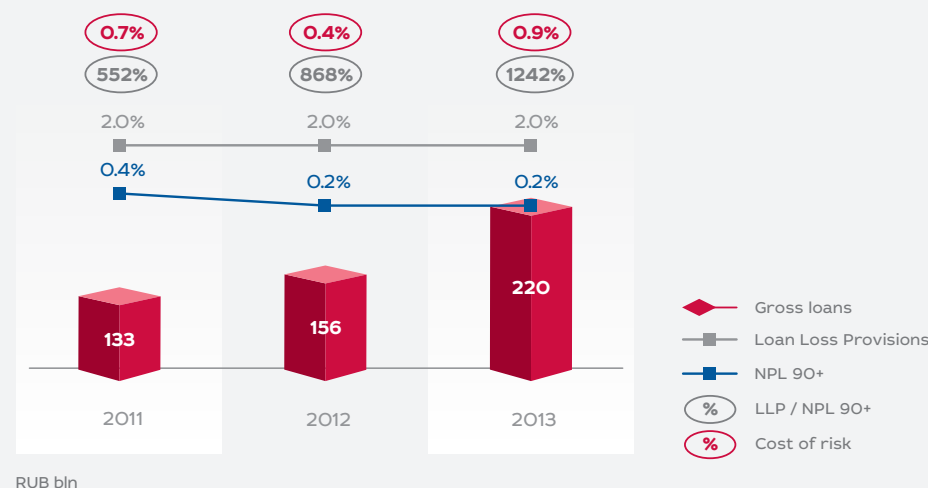
In accordance with the Bank's strategy aimed at expanding business through growth in the retail loan portfolio and further development of the corporate segment, the share of loans to retail customers rose to 31%, whereas in 2011, the retail loan portfolio had accounted for only 18% of the total loan portfolio (24% in 2012). Nevertheless, corporate business remains the key line of business: as at the end of 2013, the share of loans to corporate customers dropped to 69% of the total loan portfolio from 76% as at the end of 2012.

The quality of the Bank's loan portfolio remains at a consistently high level. The NPL ratio (90+ days) of the corporate loan portfolio remains at the level of 2012 – 0.2%. The LLP/NPL ratio grew from 868% to 1,242%, which is due to the low level of arrears and the Bank's conservative approach to provisions.

Impairment provisions remained at 2% of the total portfolio. Throughout 2013, cost of risk (COR) of the corporate loan portfolio rose by 0.5 p.p. – to 0.9% due to a conservative risk management approach. Portfolio collateral security (excluding collateral for guarantees) as at the end of 2013 was 57%. The remaining 43% are secured by corporate guarantees or unsecured. In addition, the last group of unsecured loans is represented by short-term loans to major strategic corporate customers.

The high corporate loan portfolio quality is maintained through the focus on major customers (approximately 70% of the portfolio is represented by companies with revenues of over RUB 10 bln), the predominance of short-term loans (loans for working capital finance (which is a lesser risk loan category) with a maturity less than one year account for 68% of the corporate loan portfolio), and also the fact that over 40% of corporate customers use the Bank's cash hand-

### Corporate loan portfolio quality



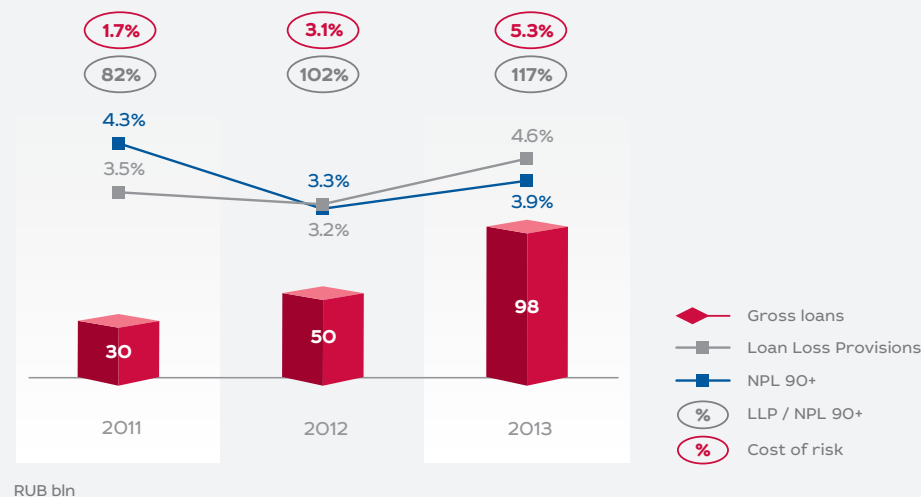
ling services, which enable the Bank to control risks more efficiently and to monitor customer credit. It is also worth noting the concentration of the Bank's activities in Moscow and the Moscow Region, where the credit quality of borrowers is higher than the average in Russia, as well as focus of the Bank's portfolio on retail trade companies where the highest growth rate has been observed in recent years, and which are the most resistant to the adverse effects of external factors.

As at the end of 2013, the retail loan portfolio was mainly represented by high-yielding retail products: general-purpose consumer loans made up 70% of the retail loan portfolio or RUB 68.2 bln (55.3% or RUB 27.9 bln as the end of 2012). As at the end of 2013, the share of mortgage loans made up 16% of the retail loan portfolio (20.7% as at the end of 2012), car loans accounted for 10% (21.8% as of 2012), and credit cards loans – for 4% (2.2% as at the end of 2012), respectively.

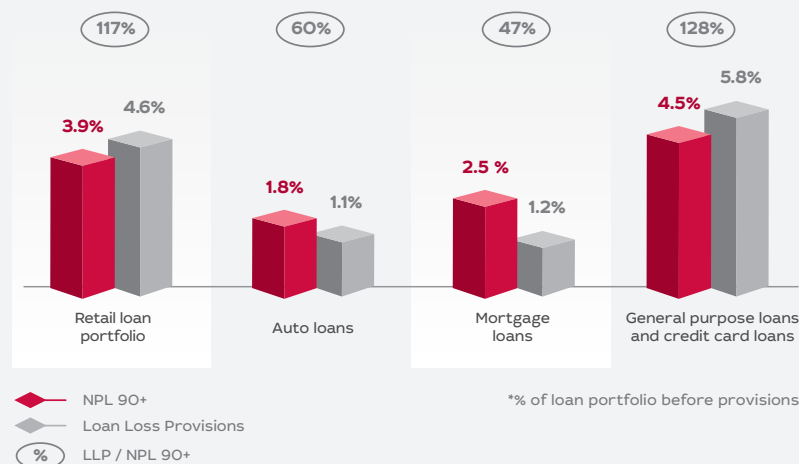
In 2013, the share of NPL in the retail loan portfolio rose by 0.7 p.p. to 3.9%, the ratio of impairment provisions and the total retail portfolio grew by 1.3 p.p. to 4.6%. The LLP to NPL 90+ ratio rose from 102% to 117%. The expansion of the retail loan portfolio is reflected in the increased cost of risk (COR) to 5.3% (+2.2 p.p. for the year). At the same time, the conservative approach to customer selection and the fact that a large part of new loans is issued to the employees of the Bank's corporate customers and the Bank's existing customers allows risks to be minimised, and the quality of the retail loan portfolio to be maintained at a high level.

General-purpose consumer loans and credit card loans account for the highest share of NPL – 4.5%, while the LLP to NPL90+ ratio amounts to 128%, and the ratio of loan loss provisions to the total retail loan portfolio was 5.8%.

### Retail loan portfolio quality



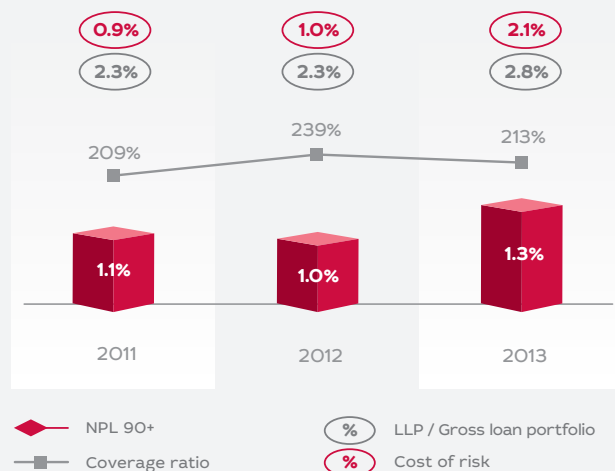
### Retail loan portfolio quality by products\*



In 2013, the NPL ratio (90+) rose slightly from 1.0% to 1.3%. The coverage ratio dropped from 238.9% to 212.6%. The ratio of loan loss provisions to gross loan portfolio rose from 2.3% to 2.8% for the year.

Throughout 2013, cost of risk (COR) remained within the range of 3%, and dropped to 2.1% in 4Q2013 due to the moderate growth of the corporate loan portfolio in 4Q2013, together with the improved financial position of several borrowers on the one hand, and a considerable expansion of the retail loan portfolio combined with changes in the methodology for calculating impairment provisions in the retail loan portfolio, on the other. The new methodology is aimed at avoiding excessive provisions in the retail loan portfolio in contrast to the previous, more conservative, methodology.

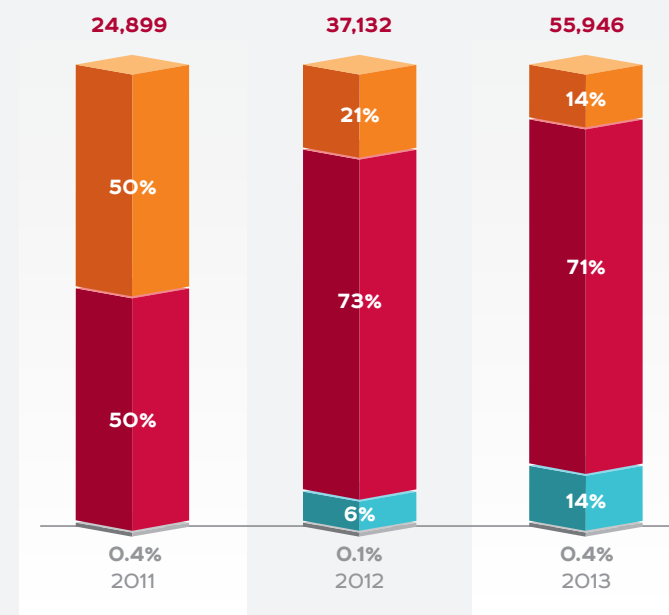
### Loan portfolio quality



### Securities portfolio

The Bank's securities portfolio grew by 50.6% for the year, and amounted to RUB 55.9 bln (RUB 37.1 bln as at the end of 2012). The securities portfolio structure is as follows: financial instruments at fair value account for 66% of the portfolio, while available-for-sale securities account for 34%. The bulk of investments is represented by highly liquid securities: 84% of bonds in the portfolio are included in the Bank of Russia's Lombard List.

### Concentration on fixed income instruments



RUB mln

● Government and municipal bonds  
 ● Corporate bonds

● Promissory notes  
 ● Other



In 2013, it was resolved to follow a strategy aimed at growth of the securities portfolio's return without a significant increase in risks and risk-weighted assets. Thus, the securities portfolio structure was slightly modified in favour of an increase in the proportion of promissory notes issued by major state and privately owned banks. Their share rose to 14% in 2013 from 6% in 2012. High investment grade corporate and government/municipal bonds accounted for 71% and 14% in 2013, respectively.

### Liabilities structure

The aggregate amount of liabilities as at the end of 2013 rose by 49.8% to RUB 404 bln compared to RUB 269 bln as at the end of 2012.

The growth in liabilities was mainly due to the expansion of the customer deposit base from RUB 189.0 bln in 2012 to RUB 274.9 bln in 2013 (+45.4%), and by the growth in debt securities issued from RUB 40.0 bln in 2012 to RUB 84.6 bln in 2013 (+111%).

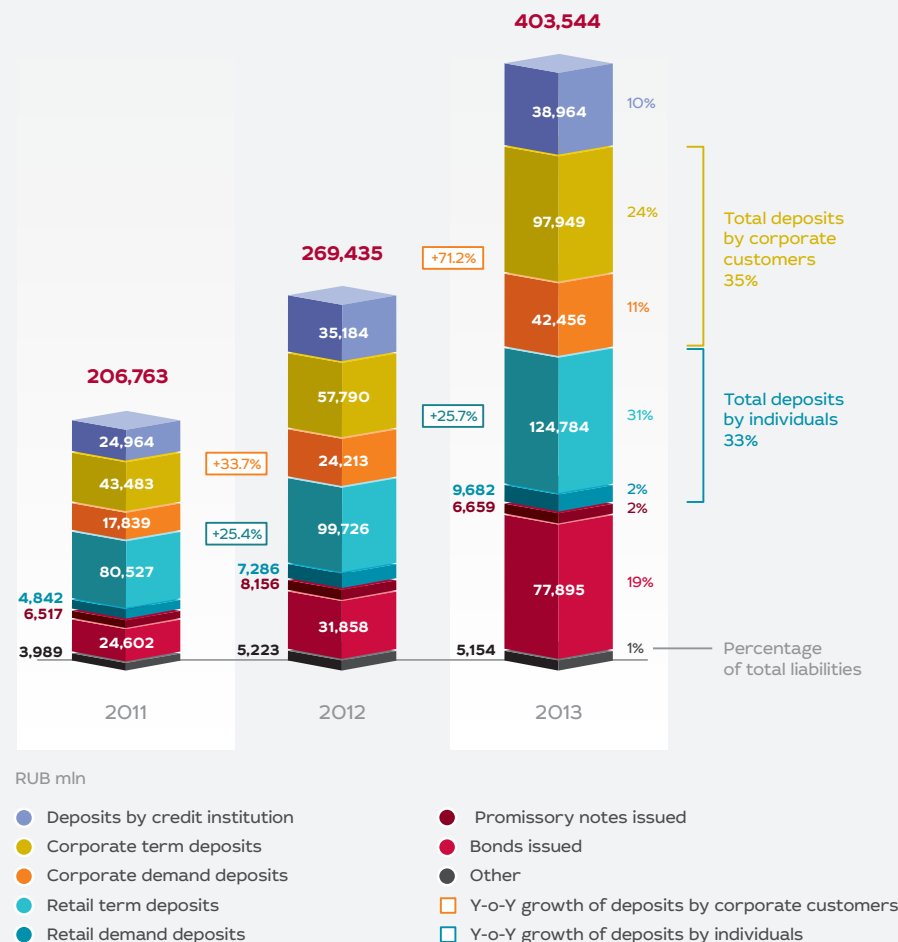
At the end of 2013, the Bank's liabilities had the following structure: deposits from corporate customers accounted for 35% of liabilities or RUB 140 bln, retail deposits – for 33% or RUB 134 bln, debt securities issued – for 21% or RUB 85 bln, deposits by banks – for 6% or RUB 24 bln.

### Customer accounts and deposits

In 2013, deposits by customers rose by RUB 85.9 bln (+45.4%) to RUB 274.9 bln.

During the year, the amount of corporate deposits rose by RUB 58.4 bln or 70.7% to RUB 140.4 bln, and is one of the Bank's main funding sources, which is in part due to the enrolment of new major corporate customers for bank services. Retail deposits grew by RUB 27.5 bln or 25.2% to

### Funding base

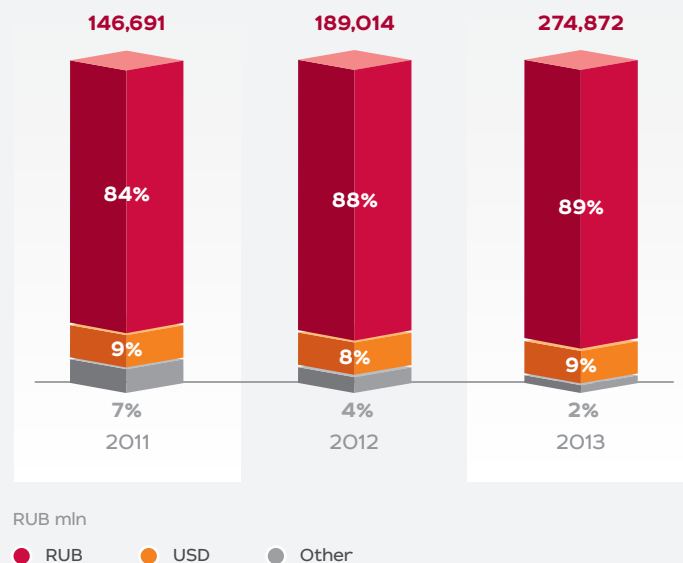


RUB 134.5 bln. The ratio of net loans to deposits rose slightly to 112.4% as at the end of 2013 compared to 106.5% as at the end of 2012.

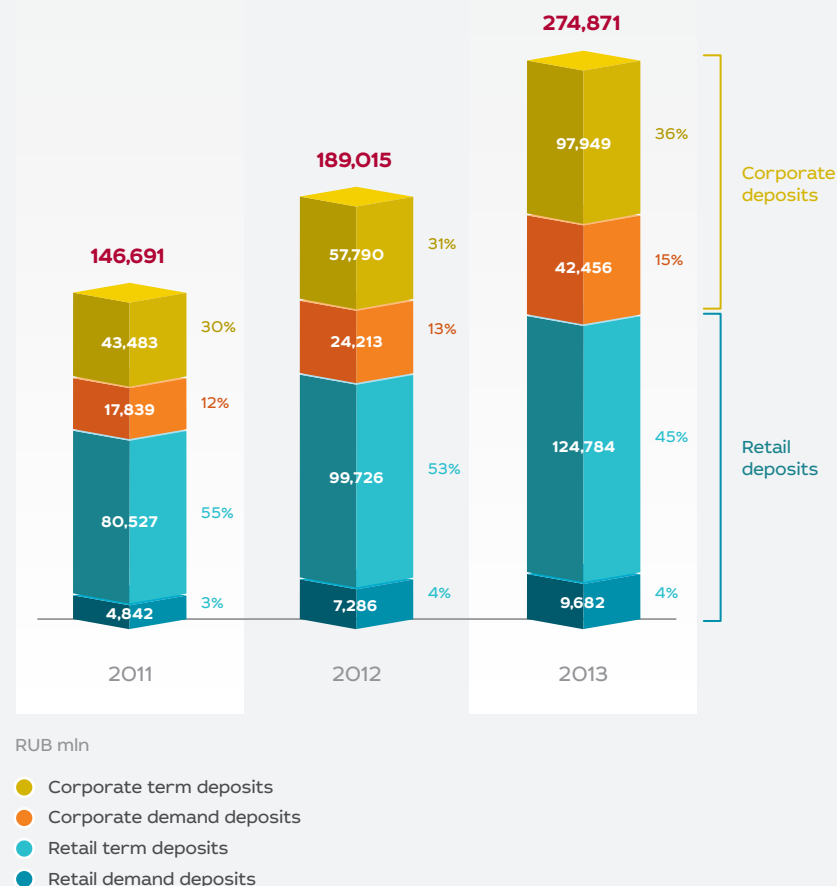
Term deposits grew by 41.4% to RUB 222.7 bln and represented 81% of the aggregate deposit base. The share of corporate term deposits amounted to 70% of corporate deposits or RUB 97.9 bln; the share of retail term deposits represented 93% of retail deposits or RUB 124.8 bln. In line with its long-term strategy, the Bank plans to increase the share of demand deposits to reduce further the average cost of funding.

Customer deposits are placed mostly in roubles: 89.1% of the total deposit base as at the end of 2013 (88.4% as at the end of 2012).

### Rouble deposits dominate in the portfolio structure



### Customer deposit dynamics



## Debt instruments

As at the end of 2013, debt securities issued were mainly in the form of senior bonds – 66.6% or RUB 56.3 bln; subordinated bonds amounted to 25.5% or RUB 21.5 bln, and promissory notes issued accounted for 7.9% or RUB 6.7 bln.

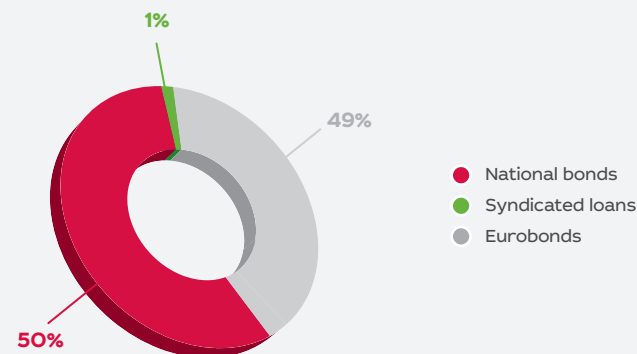
In February 2013, the Bank completed a RUB 2 bln 5.5-year subordinated bond issue series 12, the proceeds from which were included in additional capital. It was the Bank's second subordinated bond issue following the debut RUB 3 bln 5.5-year bonds placed in December 2012. In February 2013, the Bank also successfully completed a USD 500 mln Eurobond issue, at the time the largest in its history. The bond pays a 7.7% coupon and has a 5-year maturity.

In May 2013, the Bank placed a USD 500 mln subordinated Tier II Eurobond issue with an 8.7% coupon and 5.5-year maturity. The transaction represented the first subordinated Eurobond issued by a Russian bank following the introduction by the Central Bank of Russia of Basel III rules on subordinated capital. This issue was named “best financial institution bond” at the EMEA Finance Achievement Awards 2013. It was also recognised by Euromoney magazine as highly commended CEE deal of the year 2013.

In October 2013, the Bank placed two domestic bond issues totalling RUB 10 bln. The first was series BO-O6, with a nominal value of RUB 5 bln, a 5-year maturity and a fixed coupon rate of 8.95% for the first two years. The second was series BO-O7, with a nominal value of RUB 5 bln with a 5-year maturity and a fixed coupon rate of 9.1% for the first 3 years.

In November 2013 CREDIT BANK OF MOSCOW repaid in full a USD 308 mln trade-related syndicated loan facility. The proceeds were used to finance trade-related operations by the Bank's customers.

## Debt instruments



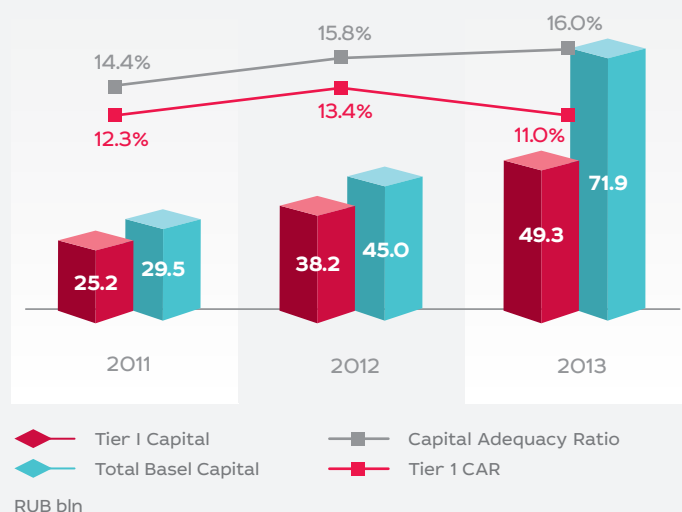
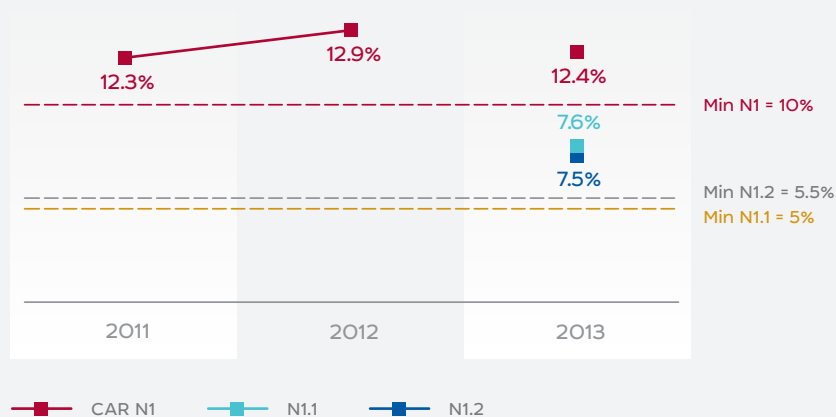
## Equity

The Bank's equity under the Basel Accord increased by 59.8% in 2013 reaching RUB 71.9 bln, and the capital adequacy ratio stood at 16.0% compared to 15.8% last year.

Its capital adequacy ratio N1 (under CBR's Regulation 395-P) is 12.4%, the minimum requirement being 10%.

In September 2013 the Bank strengthened its capital structure through the private placement of an additional 1.8 bln ordinary registered shares of RUB 1 par value each. The total investment exceeded RUB 7.5 bln, and was taken up by the Bank's current beneficial owners. As at the end of 2013, the Bank's shareholder structure remained unchanged.

CREDIT BANK OF MOSCOW is No. 566 (724 in 2012) among the 1,000 largest banks globally by Tier I capital as defined in the Basel Accord, according to the Banker (Top 1,000 World Banks 2013). The Bank was also listed by the Banker as number 218 by return on equity, being the 9th best score by this indicator among the 24 Russian banks (without majority foreign capital participation) appearing in the Banker 2013

**CAR in accordance with IFRS****CAR in accordance with RAS**

ranking, and number 132 by return on assets, an improvement on last year's result (145th place), and being number 6 according to this indicator among this group of Russian banks.

**Subsequent events**

In January 2014 the Bank announced a decision to increase its shareholder capital by placing 9.6 bln additional registered shares of 1 rouble par value each by way of public subscription.

In March 2014 CREDIT BANK OF MOSCOW raised a USD 500 mln syndicated loan facility. The facility was oversubscribed, and is the largest in the Bank's history, which includes 12 previously closed syndicated loan transactions for over more than 10 years. The facility has tenors of 364 days and 18 months, and pays LIBOR/EURIBOR +1.75% and LIBOR/EURIBOR +1.95%, respectively.

In March 2014, the Bank's ordinary registered shares were included in the Quotation List "B" of the List of securities admitted to trading on the MICEX SE.

In April 2014, the Bank received authorisation from the Bank of Russia to place its securities and (or) to organise trading in them outside the Russian Federation.



**From risk  
to income**



## 8. Risk management

The principal categories of risk inherent in CREDIT BANK OF MOSCOW's business are solvency risk, liquidity risk, credit risk, market risk (including price, interest rate, foreign currency and securities portfolio risk), operational risk, legal risk, reputational risk and compliance risk. The Bank's risk management system is designed to respond in a timely manner to the relevant risk factors and to other developments and circumstances associated with higher risks for any of the Bank's areas of activity.

The Bank's Risk management policy approved by the Supervisory Board sets the following risk management goals: to ensure the Bank's stability and soundness in carrying out its core activity and achieving the results envisaged by the Bank's Strategy. These goals are to be achieved, in particular, by:

- **Risk identification (definition).** The Bank's internal documents describe the significant types of risk the Bank faces in its activities together with the nature of their occurrence and the list of products, processes and operations exposed thereto;
- **Determination of risk appetite.** The Bank determines tolerances for material types of risk;
- **Occurrence of risk.** The Bank takes steps to identify any risks involved in transactions or products at the time they are undertaken or offered;
- **Risk assessment.** The Bank performs qualitative and quantitative risk assessment;
- **Selection of responses to risks and risk events.** Based on risk assessment, the Bank takes, limits, transfers or excludes a risk using risk management tools. Responses to risk events are to be selected based on their effectiveness;

- **Risk monitoring.** The Bank monitors the risks assumed and adds further responses in the case of a material increase in the level of a risk or a change in its profile. Monitoring results are to be reflected in the Bank's internal reporting;
- **Control of the level of risk and compliance with risk management procedures.** The Bank controls compliance with established limits, risk appetite and other limitations. Three types of control are exercised: preliminary, current and subsequent control. The Bank also monitors compliance with risk management procedures. Control (including remote control) procedures are set out in the Bank's internal documents.

The Bank has designed its risk management policy to manage these risks by establishing procedures and setting limits, which are monitored by independent departments using advanced administrative and information systems. These systems can be modified to reflect changes in market conditions and product demand.

### Organisation of the risk management system

The Bank's risk management functions are carried out by the bodies and subdivisions responsible for establishing risk management policies and procedures, such as the establishment of limits, and implementing the Bank's policies and procedures, including monitoring and controlling risks and limits on a continuous basis. The following are the Bank's principal risk management bodies.

### 1. Supervisory Board of the Bank

The Supervisory Board is a governing body reporting to the General Shareholders' Meeting. The Supervisory Board's functions include:

- general management and defining priority activities for the Bank and strategic risk management goals;
- approving the Bank's risk and capital management strategy, and approving a procedure for management of the Bank's major risks (including the extent of high-risk risk appetite indicators), monitoring the implementation of this procedure;
- approving a process for applying banking risk management methodology and quantitative risk evaluation models, including a valuation of the Bank's assets, liabilities and off-balance commitments and liabilities, and stress testing scenarios and results (as provided for by law);
- applying a procedure for preventing conflicts of interest, a plan for recovering financial stability in the case of a material deterioration of the Bank's financial position, an action plan aimed at ensuring uninterrupted activities and (or) restoration of the Bank's activities in the case of occurrence of atypical or emergency situations (as provided for by law);
- approving major and interested party transactions, transactions with related parties, where and as provided for by the Bank's Charter and applicable law.

### 2. Audit and Risk Committee

The Audit and Risk Committee is formed by the Supervisory Board. Its functions include:

- advising the Supervisory Board on:

- a) selecting of an independent audit firm to undertake the annual independent external audit of the Bank's financial statements;
- b) evaluating the quality of the services provided by the independent auditor and their compliance with independence requirements;
- c) effectiveness of the internal control and risk management procedures;
- d) prioritisation of the activities of the Bank within an acceptable risk level;
- e) control of the Bank's financial and commercial business, compliance with applicable laws and regulatory requirements.

- maintaining the Supervisory Board's control over the activities of the Bank's executive bodies and ensuring co-operation with the Bank's executive bodies on matters within the Committee's competence;
- implementing and promoting a culture of risk management within the Bank.

### 3. Management Board of the Bank

The Management Board is the executive body which is responsible for the Bank's operations and implementation of the decisions of the General Shareholders' Meeting and Supervisory Board. The Management Board is responsible for the overall direction of the Bank's activities and makes decisions with respect to its current performance. The Management Board's functions include:

- implementing any resolutions of the General Shareholders' Meeting and the Supervisory Board; organising the Bank's risk management, and providing conditions for the effective implementation of current policy;



- approving internal regulations on risk management in accordance with the Bank's internal documents;
- forming collegiate bodies, approving regulations concerning them, personnel, competency, and delegating part of its own powers (in compliance with regulations concerning the respective bodies) in terms of risk management (including approval of the Bank's internal regulatory documents);
- distributing the values of risk appetite indicators' set by the Supervisory Board across the Bank's subdivisions, lines of business, products, transactions, instruments;
- setting limits restricting the Bank's risks on various levels (in accordance with the multilevel limit structure), and approving decisions on transactions beyond the authority of the Bank's authorized bodies / persons accountable to the Management Board;
- reviewing and approving accounting statements on the Bank's risk management results;
- approving interest rates and tariffs for banking services.

#### 4. Corporate Credit Committee

The Corporate Credit Committee is responsible for the implementation of the Bank's credit policy in corporate lending. The committee consists of two separate committees: the Smaller Credit Committee and the Main Credit Committee. The Smaller Credit Committee approves credit limits up to RUB 1 bln and consists of five permanent members. The Main Credit Committee approves credit limits above RUB 1 bln and consists of six permanent members. The committee members representing the Risk Management Directorate may veto any decisions of

the two committees. Limits and transactions in excess of RUB 2 bln are to be approved by the Management Board. The committee's functions include:

- organising and managing the Bank's lending activity;
- controlling the Bank's loan portfolio quality at the level of individual limits and transactions;
- setting and amending the credit risk for borrowers within its authority;
- coordinating making of loan and equivalent transactions within their authority, including in case of legal risks;
- delegating authority to approve certain transactions within certain limits to the Bank's officers;
- coordinating restructuring of all types of loan and equivalent transactions in corporate lending within their authority;
- recognizing credit transactions to be doubtful, non-performing or unrecoverable within their authority;
- approving values of credit ratings reflecting the risk level of borrowers and transactions;
- amending accepted credit risk limits.

#### 5. Retail Credit Committee

The Retail Credit Committee is responsible for the implementation of the Bank's credit policy in retail lending. The committee consists of six permanent members and meets several times a week. The composition and authority of the Retail Credit Committee is approved by the Management Board. The committee's functions include:



- approving provision of loan products to individuals within its authority, including on terms and conditions different from standard;
- making decisions on the possibility to provide loans to individuals, agreeing the structure of loans to individuals;
- making decisions on restructuring debts in retail loan transactions.

### 6. Assets and Liabilities Committee (ALCO)

ALCO is responsible for establishing the strategy for raising and placing funds, the strategic and operational management of risks related to a deterioration of capitalisation and liquidity indicators, and also currency and interest rate risks. ALCO's functions include:

- validating the funding and placing strategy;
- defining the general structure of the Bank's assets and liabilities, including distribution of assets by risk, profitability and maturity;
- selecting types of financial instruments to be used by the Bank and transactions to be undertaken in financial markets;
- establishing credit risk limits for financial market counterparties and debt securities (when setting/modifying credit risk limits simultaneously covering transactions in financial markets and lending transactions, the decision on such a limit comes under the competency of the Corporate Credit Committee or the Management Board);
- managing capitalisation risks;
- managing the Bank's currency risk and open currency positions;
- interest risk management; and
- liquidity management.

### 7. Credit Risk Committee

In the period under review, the Credit Risk Committee started its work, which was a response to events and circumstances connected with the increased risks in different spheres of the Bank's presence. The Committee was created for the purpose of responding to possible threats to the Bank's financial stability and developing the relevant decisions for reducing risks. The Committee bears responsibility for implementation of the Bank's risk management policy. The Committee's functions include the following:

- approving methodologies and algorithms for calculating risk indicators (risk metrics) and limits;
- approving changes to the Bank's internal processes connected with risk taking;
- approving internal regulatory documents governing the credit process in corporate lending, and approval of modification to such documents;
- monitoring the Bank's loan portfolio quality in general, or its individual segments, by means of risk metrics;
- considering reports on internal and external events of operational risk occurrence, approval of an appropriate series of measures aimed at minimising risks;
- monitoring results of the Bank's bodies' and officials' powers in respect of taking and managing credit risk;
- drafting of recommendations for senior bodies of the Bank on methods and instruments of risk mitigation, achievement of balance between risk and return in the segments of corporate and retail business.

## 8. Risk Management Directorate

The Bank's Risk Management Directorate is an independent subdivision of the Bank which detects, evaluates banking risks and manages them. The Risk Management Directorate performs the following functions:

- developing / approving and maintaining the Bank's internal regulatory documents which govern the risk management system, including policies, methodology, regulations, rules, instructions, and other low-level documents, together with the Bank's other subdivisions;
- developing risk evaluation models and risk management tools;
- developing functional requirements to the Bank's IT systems (volume and quality of data, software bundles, etc.) required by the Risk Management Directorate for fulfilling its tasks, participation in their implementation and testing;
- evaluating, analysing and preparing an independent opinion on credit risks when undertaking transactions with customers related to the corporate business segment;
- monitoring of corporate customers' compliance with covenants;
- evaluating credit, financial risks, and drafting recommendations for their management, including recommendations for limits to reduce risks;
- evaluating industry sector risks and their impact on the creditworthiness of customers in the corporate business segment;
- monitoring the loan portfolio by sectors, customers (aggregate liabilities within the limits), collateral value and quality based on regular reviews, quarterly revaluation of collateral and financial condition of guarantors;
- monitoring the lending activities of the Bank's subdivisions;

- monitoring compliance by the Bank's subdivisions with established limits (including credit and market risk limits);
- evaluating and analysing market risks including interest, currency and pricing risks;
- assessing the Treasury Department's proposals concerning management of liquidity and market risks;
- participating in the development and implementation of debt recovery procedures;
- identifying and reporting credit risk factors to subdivisions and management on an ongoing basis, particularly through a comprehensive system of daily, monthly and quarterly reporting across the lines of business.

The Risk Management Directorate consists of the Corporate Risk Management Division, the Portfolio Risk Management Division and the Retail Risk Management Division.

## 9. Treasury Department of Financial Markets Operations Division

The Treasury Department undertakes the raising and placing of funds in financial and OTC markets, and develops the principles of the Bank's financial market activities for the purpose of managing the Bank's liquidity position. The Treasury Department's main functions include:

- developing the principles for the Bank's financial market activities for the purpose of controlling its liquidity position;
- preparing the preliminary daily financial plan for the Bank;
- funding the Bank's correspondent accounts to undertake rouble and foreign currency payments;
- monitoring the Bank's liquidity and maturity forecast;

- analysing maturity forecasts under adverse market condition scenarios;
- monitoring and controlling the structure of the open foreign exchange position;
- forecasting changes in the Bank's interest margin;
- raising and placing funds in financial and OTC markets, into interbank loans and deposits, purchase and sale of foreign currency, interbank bank note transactions, foreign exchange transactions;
- providing recommendations on maturity, amount and currency structure of loans granted.

## 10. Internal Audit and Control Division

The main functions of the Internal Audit and Control Division include:

- ensuring the Bank's compliance with legislation of the Russian Federation, including the Bank of Russia's regulations;
- ensuring an effective and reliable system of internal control;
- monitoring compliance with the Bank's requirements for evaluating banking risk and risk management;
- monitoring the assessment of the economic viability of banking transactions.

The Internal Audit and Control Division consists of the Internal Audit Department, Internal Control Department and the IT Audit Unit.

## 11. Financial Division

The Financial Division's functions are:

- designing the Bank's Development Strategy;
- planning and control of application of the Bank's key operational performance indicators;

- participating in the planning of risk appetite indicators and monitoring their application;
- monitoring the regulatory requirements of the Bank's activities.

## Solvency Risk

The Bank monitors its own solvency on a daily basis using a methodology developed within the Bank. According to this methodology, the Bank's assets are measured at their market values by applying discounts to the book value of the assets, thus allowing the Bank to calculate its "net conventional capital" conservatively. Adherence to the principle of maintaining solvency at a previously determined level protects the Bank from making further investments in risky assets and allows it to reduce the risk of losses from the impairment of existing assets by selling them in the market at an appropriate time.

## Liquidity Risk

Liquidity Risk arises in case of a mismatch between the maturities of assets and liabilities and therefore potentially affects the Bank's ability to fulfil its obligations in full and in due time (including without raising funds at rates above market level). The Bank seeks to have sufficient liquidity to meet its current and future obligations and funding needs at reasonable market rates. The Bank's operations are principally funded through customer deposits (both corporate and retail). The Bank also has some interbank borrowings and debt funding in both the Russian and international capital markets. In addition, a substantial portion of its securities portfolio is highly liquid and could be used to enable the Bank to meet its liquidity requirements. The Bank also has access to liquidity from the Bank of Russia on a secured and unsecured basis.

The ALCO approves the liquidity assessment and management procedures, determines liquidity requirements and sets the necessary mini-

imum levels of liquid assets and limits on maturity mismatch. Monitoring of the Bank's liquidity risk is shared with the Bank's Treasury Department.

The Bank on a daily basis exercises strict control over compliance with statutory liquidity ratios set by the CBR (instant (N2) and current (N3) liquidity ratios). The risks relating to sources of funding are controlled by the CBR in accordance with the capital adequacy (N1) standard and long-term (N4) liquidity standard.

Managing liquidity risk includes monitoring the Bank's asset and liability structure and forecasting its future changes. Liquidity risk is analysed by the Bank in the following stages:

- cash-flow charts are produced for each group of assets and liabilities;
- statistical analysis methods (such as stress testing) are used to calculate the necessary levels of short- and long-term liquidity;
- based on liability forecasts highly liquid and liquid asset reserves are created which are required to discharge the Bank's payment obligations in full, even under stress situations;
- liquidity surpluses/shortages are identified throughout the forecast period, together with the respective placing/funding options;
- final decisions with respect to setting limits are carried out by the ALCO, which ensures ALCO has comprehensive control over liquidity risk.

The risks of current and estimated liquidity are separately managed in the Bank.

Current liquidity management is the main task facing the Bank in terms of the operational management of assets and liabilities, and it consists of short-term forecasting and management of cash flows in terms of currencies and maturities for ensuring the fulfilment of the Bank's obligations, making settlements in accordance with customers' instruc-

tions, funding of asset transactions. Current liquidity management is conducted by the Treasury Department through immediate (within one day) determination of the Bank's current payment position, and forecasting changes in the payment position, taking into account the payment schedule and different scenarios of the course of events.

Money market tools (interbank lending and deposits, repo) are used to regulate short-term liquidity, and are not considered as a source of financing of long-term assets.

The main purpose of managing forecast (medium-term and long-term) liquidity is the development and implementation of a series of measures aimed at managing assets and liabilities for maintaining the Bank's solvency, as well as for the planned growth of the portfolio of assets, at the same time ensuring an optimum ratio between the level of liquid assets and the profitability of operations. This task is accomplished at the Bank by means of the elaboration of long-term forecasts of liquidity, as well as through the establishment by the ALCO of internal liquidity ratios (standards of liquid and highly liquid assets, standard of the amount of the liquid securities portfolio). The results of forecasts of long-term liquidity are presented to the Bank's Asset and Liability Committee. The forecast includes a calculation of receipts and payments under contract maturities of operations, as well as taking into account the deals being planned, probable extension of funds raised from the Bank's customers, probable outflow of the unstable part of customers' demand deposits. The stable part of short-term customer liabilities is determined on the basis of statistical analysis of changes in the total balance of such liabilities by currency.

In addition, stress testing is done taking into account risk factors affecting changes in the forecast state of liquidity, as well as taking into account the Bank's ability to mobilize liquid assets in the event of lack of liquidity.



	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	No maturity	Overdue	Total
ASSETS	Cash and cash equivalents	67,065	—	—	—	—	—	—	—	—	—	67,065
	Obligatory reserves with the CBR	—	—	—	—	—	—	—	—	2,799	—	2,799
	Due from credit institutions	2,522	7,841	103	—	—	—	—	—	—	—	10,466
	Financial instruments at fair value through profit or loss	25,593	477	402	187	—	2,029	353	8,370	—	—	37,412
	Available-for-sale securities	6,221	1,493	1,570	135	2,618	141	1,669	3,584	1,098	5	18,534
	Loans to customers	14,810	58,596	47,412	24,999	15,418	42,653	26,952	40,867	33,447	—	308,941
	Property and equipment	—	—	—	—	—	—	—	—	6,079	—	6,079
	Goodwill	—	—	—	—	—	—	—	—	301	—	301
	Other assets	774	250	847	336	399	—	—	—	—	—	2,606
		116,985	68,657	50,334	25,658	18,434	44,823	28,974	52,822	34,545	9,184	454,202
LIABILITIES	Deposits by the CBR	6,053	3,505	—	4,508	501	—	—	—	—	—	14,566
	Deposits by credit institutions	4,930	3,775	1,190	1,796	7,216	1,468	789	2,619	615	—	24,398
	Deposits by customers	85,800	21,367	35,575	35,830	33,800	20,831	32,225	9,443	—	—	274,872
	Debt securities issued	531	4,262	11,376	7,987	1,310	11,298	—	47,790	—	—	84,554
	Income tax liability	—	197	—	—	—	—	—	—	1,880	—	2,077
	Other liabilities	1,441	223	163	163	163	—	—	—	925	—	3,077
		98,756	33,328	48,303	50,283	42,990	33,597	33,014	59,852	615	2,805	403,544
	Net position	18,229	35,328	2,032	(24,626)	(24,555)	11,226	(4,040)	(7,031)	33,930	6,378	50,658
	Cumulative position	18,229	53,558	55,589	30,963	6,408	17,634	13,593	6,562	40,493	46,871	50,658

RUB mln

This table shows the consolidated liquidity position and a breakdown of financial assets and liabilities by their residual contractual maturities as at 31 December 2013

## Credit risk

Credit risk is the risk of incurring losses due to non-fulfilment, untimely or incomplete fulfilment of a borrower's financial obligations to the lender, as well as of consequences associated with the deterioration of a borrower's, transaction counterparty's, securities issuer's situation. Deterioration of situation stands for both deterioration in the financial situation and deterioration of other quantitative and qualitative indicators (business reputation, positions among competitors, sector indicators, state of the regional economy, etc.), i.e. all factors capable of affecting a borrower's, transaction counterparty's, securities issuer's solvency.

As a consequence of the specifics of its activities and balance sheet structure, the main risk for the Bank is the credit risk. The credit risk incurred by the Bank is mainly related to the existence of the loan portfolio, securities portfolio, warranties, and other contractual obligations. The loan portfolio risk is mainly concentrated in the corporate business.

The Bank has a multi-level complex credit risk management system allowing it to minimise the risk of potential losses in the course of commercial lending.

The coordination of lending activities and the adoption of decisions regarding lending are carried out by the Bank's authorised bodies: Credit Committees, Risk Committee and authorised persons.

The principle of distribution of responsibility in credit risk management is reflected in the Bank's Risk Management Policy and Credit Policy and also the procedures for granting loans.

Key credit risk management elements:

- the Risk Management Policy approved by the Supervisory Board in 2013 is the Bank's basic document in risk management, and defines the goals, principles and tools of risk management;

- the Bank's credit policy which is regularly updated in accordance with market conditions, the Bank's lending strategy and existing risks. The Bank's Credit Policy underwent a scheduled update in the reporting period;
- improvement of the principles and methods of formalised assessment of borrowers (rating models for corporate borrowers, scoring systems for retail business), application of the general principles of pricing, security, provisioning, taking into account size of the risk. In the reporting period, the Bank undertook a validation and modification of the internal rating and scoring models adapted to the advanced standards in the quantitative assessment of credit risk;
- control over limits for borrowers, groups of related borrowers, concentration by sector, business segment.

## Lending policies and procedures

In making a lending decision, the Bank considers the following principal factors:

- information transparency (the ability to provide data that is sufficient to assess the borrower's financial position);
- personal responsibility of the business owners;
- the ability to provide collateral and the ability to service loans through operating cash flow;
- whether the client is involved in any activities that are prohibited under the terms of the Bank's borrowing arrangements with EBRD, IFC and BSTDB.

The Bank has established procedures for approving loans and monitoring loan quality and for the extension and refinancing of existing

loans. These procedures are set out in the Bank's Credit Policy. The credit policy describes the general standards for granting loans and clearly defines the criteria for the evaluation of potential and existing customers. The Bank's credit policy also establishes the standards for lending to corporate customers, whereby sufficient security should be obtained in terms of category and values to be taken by the Bank to maintain the minimum level of liquidity.

### Corporate Loan Approval Process

The Bank's business units analyse loan applications and prepare a borrower's creditworthiness report. The Risk Management Directorate's subdivisions then analyse the loan application and assess the credit risks based on the reports of the Bank's respective units on the borrower's credit risk, collateral, legal risks and reliability. The Bank uses a rating-based procedure to assess corporate loans. The effectiveness of the loan approval process is due to the inclusion in the Risk Management Directorate of a collateral management subdivision which carries out an assessment and monitoring of the collateral provided, as well as an economic security subdivision whose staff may also meet a borrower's management and undertake site verifications. The value of the collateral offered by a borrower is generally evaluated by the Bank's Collateral Appraisal and Monitoring Service of the Corporate Risk Department of Risk Management Directorate. The Bank also engages external specialists for an independent appraisal of the collateral when it requires additional expertise. The final decision for approval of loan applications is taken by one of the Bank's authorised bodies/officers in accordance with their authority.

### Retail loan approval process

The Bank divides potential retail borrowers into different categories when reviewing their applications, with the Bank's employees being the

lowest risk, together with employees of public companies, customers with a good credit history (internal or external), public sector workers, and employees of certain corporate customers of the Bank. The Bank also lends to "walk-in" retail customers not connected with the Bank, but subject to a more rigorous risk evaluation procedure.

The Bank evaluates retail customers using a credit scoring methodology whereby applicants are ranked according to certain criteria such as age, income, current employment, employment history and credit history. Each criterion has a certain weight depending on its importance and the approval is based on the applicant's total credit score.

The Bank regularly improves its loan approval procedure taking into account market trends and focusing on making the retail loan portfolio more efficient and on the reduction of credit risks.

In 2013, the Bank introduced SAS credit scoring, an industrial solution for developing scoring models, and SAS Real-Time Decision Manager, a decision-making support system from SAS, which combines the logic of risk acceptance and all stages of risk procedures in processing loan applications.

The retail borrower appraisal process includes the following steps:

- evaluation of a customer's compliance with the minimum requirements and profile;
- determination of the customer segment category;
- automatic processing of distributed information sources of verification, including credit bureaux, scoring bureaux, information on the customer's payments, history of the customer's use of the Bank's products;
- calculation of the score value of a probability of default;
- evaluation of the applicant's income, and future stability of such income;

- analysis of the applicant's monthly expenses (i.e. current debt service);
- determination of the lending limit;
- verification of the information submitted;
- approval by the authorised person/body.

As part of its retail loan approval process, the Bank works with several Russian credit bureaux which maintain databases of the credit history of retail borrowers.

There is an opportunity for flexible operational regulation of approval/cut-off levels and routing of applications based on risk appetite and lending strategy. The risk acceptance levels and personnel having authority for making decisions are approved by the Management Board of the Bank.

### Collateral

As a risk mitigation measure, the Bank's internal regulations require that most corporate and some retail loan products must be secured by either a pledge of assets or a personal surety. Exceptions are allowed in the case of corporate lending products granted to customers of the exceptional credit quality making up for the lack of security, such as public companies. Collateral is evaluated by the Collateral Appraisal and Monitoring Service of Corporate Risk Division of Risk Management Directorate and the evaluation and suitability reports are prepared internally by the Collateral Appraisal and Monitoring Service and/or independent experts or accredited independent appraisal companies. Collateral is also subject to the Legal Division's legal opinion. The Bank's policy is directed to obtaining collateral for loans to cover at least the annual payments of principal and interest, and the costs associated with the potential sale of such collateral. The Bank values/revalues collateral thoroughly and carefully.

Under its collateral policy, the Bank accepts as security commercial and residential property, plots of land, property complexes, equipment, machinery (including self-propelled), inventory, property rights, claims, shares, participatory interests, securities, participation units and debt securities.

Retail mortgage loans are secured by the underlying real estate and car loans are secured by the car being acquired. Credit card overdrafts and general purpose consumer loans are unsecured.

### Loan portfolio monitoring and control

The Bank monitors its loan portfolio at three levels:

- General monthly macro-monitoring. This process involves the assessment of the overall loan portfolio quality, including the total number and amount of overdue loans, breakdown of loans by risk groups, region, industry, currency and product, the observance of limits and an assessment of the overall profitability.
- Micro-monitoring. This process involves the analysis of individual loans by monitoring a borrower's compliance with their borrowing limits, and monitoring the repayment profile (including the time of repayments and identifying any deterioration in credit quality). The Bank's well-developed cash handling service gives it a good insight into the financial situation of some of its customers and the Bank uses this knowledge for monitoring the credit risks of certain of its corporate customers based on an analysis of the dynamics of the customers' revenues. The Bank is in a position to identify potential problems at an early stage by monitoring the customers' cash flows through its cash handling activities.
- Collateral monitoring. This is required on a continuous basis by internal regulations to confirm the actual condition and value of the collateral,



and to identify in a timely manner any possible legal risks which could negatively affect the quality of the collateral portfolio. The Collateral Appraisal and Monitoring Service reports any breaches identified to the Bank's authorised bodies and recommends how to mitigate the risk of loss of security.

### Loan recovery

The Bank has loan recovery procedures to deal with both corporate and retail customers classified as problematic. These functions are performed both internally by the Bank and by external agencies. Retail loan recovery consists of the following stages:

- «Zero-stage». From 10 days prior to the due date, the Bank sends an SMS text message to a borrower's mobile phone to inform the borrower about the upcoming due date, in order to prevent loans from becoming past due.
- Soft collection. From up to 60 days past the due date, the Bank's call centre contacts borrowers from the first day overdue for confirmation of payment or fraud detection. This procedure is aimed at motivating the customer to repay the debt.
- Hard collection. From 60 days past the due date, or earlier in the case of fraud, the loan recovery process is delegated to the Bank's collection service which works with the Bank under an agency agreement. The procedure for claiming the debt includes negotiating with the borrower or guarantor, mailing an official claim to the borrower by post and visiting the client in attempt to negotiate an out of court settlement.
- Claiming in a court of law. If hard collection does not produce the required results, the Bank institutes court proceedings, court enforcement proceedings, arrest of pledge and sale of property.

Corporate loan recovery is dealt with on a case-by-case basis. It may include court proceedings, loan restructuring, foreclosure of collateral, assigning the debt to a collection agency.

### Loan portfolio lending limits

To limit its exposure to credit risk the Bank has set limits in respect of credit risk by reference to product, type of collateral, geographical and industry disposition. These limits are contained in covenants that the Bank is subject to in certain of its loan agreements.

As at 31 December 2013, the credit risk of one very large borrower of the Bank (including the holding company) amounted to RUB 6.5 bln or 2% of the Bank's aggregate loan portfolio. The Bank's largest on balance related party credit risk as a percentage of total capital was 1.3% as at 31 December 2013.

### Non-performing loans (NPLs), provisioning and write-offs

The Bank classifies loans overdue by 90 days or more as problem loans (NPLs). The Bank's loan portfolio also includes restructured loans which would otherwise be past due. Such restructuring typically includes agreeing a new repayment schedule with the borrower that enables the latter to return to the original repayment schedule and is aimed at managing customer relationships and maximizing the quality of the loan portfolio. Restructured loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

Seeking to provide more transparent information, the Bank disclosed in its IFRS statements for the reporting period a segment of loans featuring signs of individual impairment. This segment is subject to detailed monitoring with individual approaches to provisioning.

The Bank aims to identify potential NPLs at an early stage and has established an internal policy on dealing with potential and actual NPLs. The Bank writes off its NPLs only if it believes that actions to recover debt would involve more costs than the amount recovered. Under the Bank's internal policy, an NPL can be written off on the basis of the Credit Committee's decision if the amount of the debt is less than 1% of the Bank's own capital, or on the basis of a decision by the Management Board if the debt amount is over 1% of the Bank's own capital, provided that there are documents evidencing the impossibility of recovering the debt, such as judicial orders or documents issued by state bodies.

The proportion of the Bank's NPLs as a percentage of total loans to customers was 1.0% as at 31 December 2013. NPLs in the Bank's corporate loan portfolio at the same date accounted for 0.2% of total loans to corporate customers and NPLs in the Bank's retail loan portfolio accounted for 3.9% of total loans to retail customers.

The Bank's ratio of total impairment provisions to overdue loans (classified as overdue by one day or more) was 113.8% as at 31 December 2013. The Bank's ratio of total impairment provisions to NPLs was 212.6% as at 31 December 2013.

The Bank periodically sells its NPLs to external collection agencies. Under IFRS, such sales are treated as loans written off.

### Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and securities prices will negatively affect profits or the value of the relevant portfolios. Market risk, inter alia, comprises currency risk, interest rate risk and securities portfolio risks. Market risk arises from open positions in interest rates, currency and participatory financial instruments, which

are exposed to general and specific market movements and in the level of volatility of market prices.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rates, maturities and currency positions and also stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Bank's ALCO. In addition, the Bank uses stress tests to model the impact of different market scenarios. In managing its market risks, the Bank is governed by the Bank of Russia's regulations and also uses internal methodologies compliant with the recommendations of the Basel Committee on Banking Supervision.

### Currency risk

Since the Bank's assets, liabilities and other commitments are denominated in several currencies, it is exposed to currency risk as a result of the effects on its financial position and cash flows of fluctuations in the prevailing foreign currency exchange rates. The Bank's currency risks primarily arise in the context of raising funds in foreign currency whereas the majority of its transactions are undertaken in domestic currency.

The Bank uses currency forwards to hedge its foreign currency exposure and to manage its liquidity position. The Bank does not engage in derivative transactions for speculative purposes.

The Bank takes the following measures to manage its currency risk:

- the Treasury Department ensures compliance with the Bank of Russia's Instruction dated 5 June 2005 No. 124-I "On Setting Limits on Open Foreign Currency Positions, the Methodology for their Calculation and the Particularities of Supervision of compliance with them by Credit Organisations" hereinafter Instruction No 124-I. The department

	RUB	USD	Other currencies	Total	
ASSETS	Cash and cash equivalents	54,061	10,356	2,648	67,065
	Obligatory reserves with the Central Bank of the Russian Federation	2,799	—	—	2,799
	Due from credit institutions	6,448	4,018	—	10,466
	Financial instruments at fair value through profit or loss	36,849	564	—	37,412
	Available-for-sale securities	12,956	4,681	896	18,534
	Loans to customers	253,305	50,834	4,801	308,941
	Property and equipment	6,079	—	—	6,079
	Goodwill	301	—	—	301
	Other assets	2,527	33	45	2,606
	Total assets	375,325	70,487	8,390	454,202
LIABILITIES	Deposits by the Central Bank of the Russian Federation	14,566	—	—	14,566
	Deposits by credit institutions	13,053	9,076	2,269	24,398
	Deposits by customers	244,810	23,386	6,675	274,872
	Debt securities issued	45,846	38,698	10	84,554
	Income tax liability	2,077	—	—	2,077
	Other liabilities	2,795	244	38	3,077
	Total liabilities	323,148	71,404	8,992	403,544
Net position before hedging	52,178	(918)	(602)	50,658	
Derivative financial instruments	(1,936)	1,937	(1)	—	
Net position	50,241	1,019	(603)	50,658	

RUB mln

The table above shows the sensitivity of the Bank's assets and liabilities to currency risk as of December 31, 2013.

checks that the Bank's open foreign currency position in any individual foreign currency or precious metal is below the Bank's internal limit of 3% of its equity which is considerably more conservative than the 10% limit of Instruction No.124-I;

- the ALCO sets limits on the Bank's open position in each currency and regularly revises them using the VaR method, and also establishes limits on losses connected with unfavourable exchange rate changes (stop-loss limits).
- the Bank uses an automated system controlling its open foreign currency position.

These measures allow the Bank to minimise the impact of currency risk on its performance.

### Interest rate risk

The Bank is exposed to interest rate risk, which is the risk of changes in the Bank's financial condition or results of operations caused by adverse movements in yields on different financial instruments. Although most of the Bank's assets and liabilities have fixed interest

rates, the Bank's main corporate loan products with a tenor of over one month generally allow the Bank to revise interest rates in line with market rate movements. However, this right is only exercised in extreme situations.

The Bank's interest rate policy is reviewed and approved by ALCO.

The Bank's interest rate risk management involves supervising the level of the Bank's interest income and expense, as well as monitoring changes in the value of the Bank's assets and liabilities.

The following actions are undertaken in the exercise of this control:

- evaluation of statistical parameters of changes in the level of profitability of asset instruments, and the cost of creating liabilities;
- preparation of a forecast reflecting the perspectives of the future impact of the above factors on the level of interest rate risk on the Bank's operations during the assessed period;
- permanent monitoring of current market conditions, and analysis of the principles of the tariff policy of the main market operators, for the purpose of establishing interest rates for funding.

As at 31 December 2013	Less than 1 month	1 to 6 months	6 to 12 months	Over 1 year	Overdue	Total
Interest-bearing assets	47,010	120,085	49,525	181,176	3,787	401,583
Interest-bearing liabilities	44,513	79,858	92,594	126,984	—	343,949
<b>Net interest sensitivity gap</b>	<b>2,497</b>	<b>40,227</b>	<b>(43,069)</b>	<b>54,192</b>	<b>3,787</b>	<b>57,634</b>

RUB mln

The table above shows the sensitivity of the Bank to interest rate risk based on the maturities of interest-bearing assets and liabilities as of December 31, 2013



The interest risk management system ensures an optimum structure of the Bank's assets and liabilities, which guarantees the highest resistance to interest rate risk.

### Price risk

Price risk is the risk of changes in the value of securities as a result of interest rate or price movements. The Bank's securities portfolio consists primarily of Russian government and municipal securities, corporate bonds and promissory notes of Russian banks. The Bank's total amount of financial instruments at fair value through profit or loss as at 31 December 2013 was RUB 37.4 bln. Available-for-sale securities as at 31 December 2013 were RUB 18.5 bln

Price risk management includes the following:

- limitation of the amount of price risk assumed through establishing limits in terms of quality of the instruments;
- regular comprehensive analysis of counterparties and issuers, with the use of data from their financial statements, and additional data obtained from the media and other open sources;
- quantitative risk assessment on a regular basis, with the use of the VaR method which permits an estimate to be made of the maximum possible (with the given confidence interval) negative impact of the value of currency positions on financial results. VaR assessment is carried out with the delta normal simulation method, with a retrospective depth of 3 years, time horizon of 1 calendar month, and confidence interval of 99%;
- control over compliance with the set limits and restrictions on accepting price risk, the organisation of current monitoring, analysis and accounting in terms of the price risk.

The main investments of the Bank are in highly liquid securities. As at end 2013 83.9% of the Bank's total bond portfolio was included in the Bank of Russia's Lombard list, which gives the Bank the possibility to seek liquidity from the Bank of Russia if required, but also reflects the fact that the securities can be relatively easily exchanged for cash in the relevant market. The Bank's equity participations are insignificant, i.e. represented 0.01% of the Bank's total securities portfolio as at 31 December 2013.

The Bank has established internal limits applicable to treasury transactions in respect of individual issuers of bonds and promissory notes, interbank limits, and limits on the total volume of equity and debt instruments. The limits are established by the Risk Management Directorate and approved by ALCO, taking into consideration the Bank's liquidity position and various liquidity management scenarios.

### Operational risk

The Bank includes in operational risk the risk of losses due to the following events:

- violations of internal bank regulations and procedures by the Bank's employees and/or other persons;
- incompatibility of internal bank regulations and procedures with the nature and range of the Bank's activities and/or the requirements of current legislation;
- insufficient functionality of the information, technological and other systems used, and/or their external factors.

Operational risk management in the Bank is performed by the Operational Risk Management Unit, which is part of the Risk Management Directorate.

The duties of the Operational Risk Control Unit are to obtain timely and objective evidence of the state and extent of the operational risks facing the Bank, to assess (measure) the risk both qualitatively and quantitatively, to identify the risks when negative trends arise and to implement measures in response to prevent the operational risk from reaching levels that are considered material for the Bank.

To manage operational risk, the Bank undertakes the following actions:

- maintenance of a database of events in the area of operational risks;
- self-assessment of operational risks by the Bank's departments, which is aimed at identifying, evaluating, monitoring and reducing operational risk;
- uninterrupted implementation of the Bank's key processes: creation and testing of action plans in case of adverse events;
- insurance of risks (insurance of property, responsibilities, and specific bank insurance (BBB policy)).

It should be noted that, for the purpose of minimising its operational risks, the Bank recruits qualified staff, provides training, updates operational procedures, raises the level of security and fail-safe nature of its IT systems and functional reliability of its infrastructure systems.

In addition, operational risks are also assessed at the preliminary stage: all procedures and bank products are considered from the perspective of operational risks and existing measures of risk control within limits acceptable to the Bank.

The effectiveness of the measures taken is controlled under the existing internal control system and is compliant with the Bank of Russia's regulations and recommendations of the Basel Committee on Banking Supervision.

## Legal risk

Legal risk is the risk of negative consequences from the Bank's failure to comply with statutory, regulatory or contractual requirements, legal mistakes or imperfections in the legal system, breach by the Bank's counterparties' of regulatory acts as well as of the terms of signed contracts.

To minimise legal risks, the Bank applies various methods, which include:

- ensuring compliance with current laws of the Russian Federation, by-laws, and the constituent and internal documents of the Bank;
- legal examination of compliance of the Bank's contracts and its internal legal and administrative documents with current laws and other regulations;
- ensuring the legality and legitimacy of banking operations and other transactions carried out, ensuring compliance of procedures for implementation of these operations and transactions with regulations, orders, instructions and technologies established by internal regulations of the Bank;
- monitoring changes to the laws and regulations of the Russian Federation, particularly those governing the functioning of the banking system, as well as financial, currency and tax legislation, and updating these changes in the internal documents of the Bank;
- notifying the Bank's employees in a timely manner about changes in the laws and regulations of the Russian Federation relating to the powers of the Bank, as well as monitoring compliance by the Bank's subdivisions and employees with the laws of the Russian Federation and the internal documents of the Bank;
- facilitating effective protection of the rights and interests of the Bank in its relations with customers, authorities and departments of state when addressing legal issues in the courts;

- timely response to the adoption of new regulations and changes in existing ones;
- summarisation and analysis of judicial practice involving credit institutions;
- ensuring that new banking products are in conformity with the current rules of civil law, taking into account international banking practices.

### Reputational risk

Reputational risk is the risk of the Bank incurring losses as a result of a reduction in number of the Bank's customers (counterparties), as a result of a negative perception of the Bank's solvency, quality of services or the nature of its activity as a whole. The possibility and extent of losses due to the emergence of this risk is dependent on the level of this risk in the Russian banking sector on the whole.

The Bank is making considerable efforts towards presenting a positive image to their customers and the public by improving information transparency. Management of the risk of loss of business reputation is a component of the risk management system and is implemented with the direct involvement of the management of the Bank.

### Compliance risk

Compliance risk is the risk of the occurrence of negative events resulting from any violation of or failure to comply with laws, orders and instructions of governmental and other institutions regulating the Bank's activities, or with the Bank's own internal procedures and regulations, best practices and standards of business etiquette.

For the purpose of ensuring effective compliance risk management and its monitoring, the Bank:

- responds in a timely manner to changes in the legislative acts of the Russian Federation, including those on combating money laundering and financing of terrorism, and in tax legislation, in market conditions, which includes making the appropriate amendments and modifications to the Bank's internal documents;
- provides the Bank's employees with access to up-to-date information on legislation and the Bank's internal regulatory documents;
- when developing new bank operations and other financial innovations and technologies, it takes into account the provisions of the statutory documents of the Bank, and the requirements of the regulatory acts of the Russian Federation;
- organises constant control over the management bodies' and employees' compliance with the legislation and the Bank's statutory and internal documents.



## 9. Corporate governance system

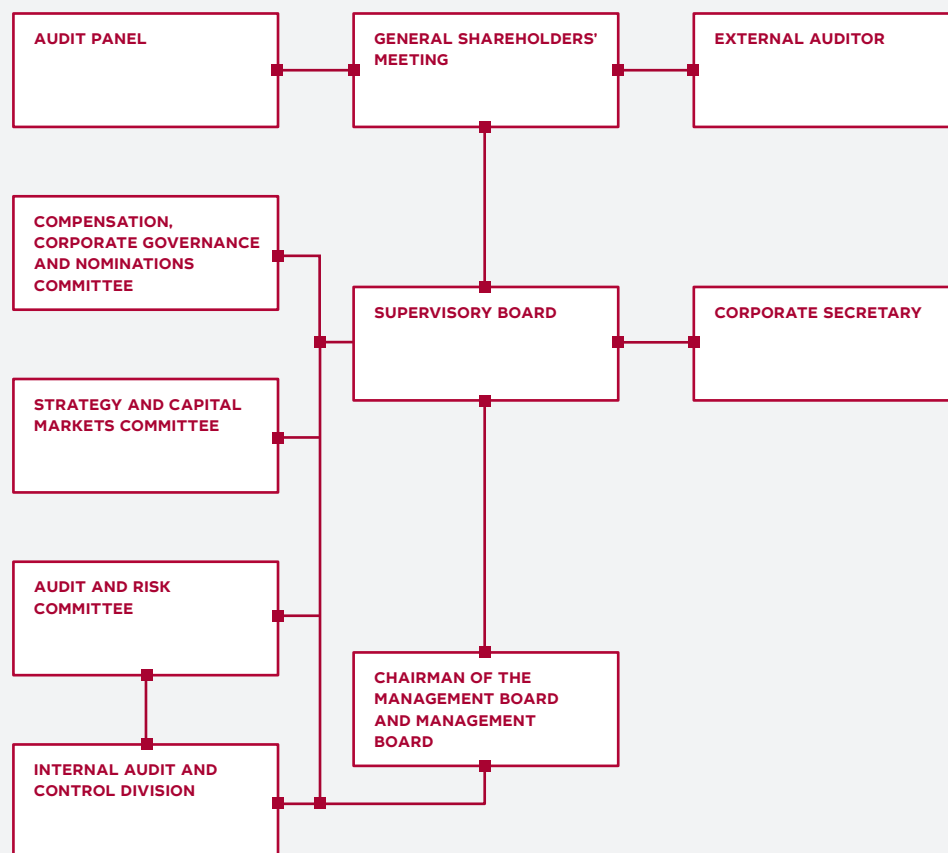
**From management  
to control**





## Corporate governance system

The Bank's corporate governance and control system underwent some changes in 2013 and Q1 2014, and now its structure is as follows:



The General Shareholders' Meeting is the supreme body of the Bank. It sets the Bank's objectives and development strategy.

The Supervisory Board formed by the General Shareholders' Meeting and accountable to it performs the general management of the Bank's activity. It determines the priority activities of the Bank and appoints the executive bodies of the Bank – Chairman of the Board and the Management Board of the Bank – whose responsibilities include implementing the Bank's current activities among which is achieving the targets set by the General Shareholders' Meeting and the Supervisory Board of the Bank.

Under the Supervisory Board are committees created and functioning to optimize the work of the Supervisory Board by carrying out in-depth studies and preparing well-considered recommendations for decisions to be taken in the areas of audit and risk, remuneration and corporate governance, raising funds on international capital markets and investor relations, the development of strategic objectives and direction of the Bank's development, and assessment of the effectiveness of the Bank's activities.

To protect the interests of the Bank's shareholders and investors as fully as possible and to increase the effectiveness of the performance of the Bank's management bodies, the corporate governance system includes monitoring bodies operating with mandatory observance of Russian laws and in line with up-to-date international practices. They include:

- an external auditor, independent from the Bank's management, appointed annually to confirm the correctness of the conduct and content of the Bank's accounting;
- Audit Panel elected by and accountable to the General Shareholders'

Meeting. It monitors the Bank's financial and economic activities and its compliance with Russian accounting laws;

- internal Audit and Control Division which controls compliance by the Bank and its employees with Russian laws, ensures timely detection of banking risks and resolves any conflicts of interest that may arise in the course of the Bank's activities.

The Bank's existing multi-level control system assures its shareholders that the management policies are appropriate, allows investors to trust in the Bank and its managing bodies, and ensures an effective assessment of banking risks.

The Corporate Secretary reports to the Chairman of the Supervisory Board. The Corporate Secretary's main objectives are: to ensure the Bank's bodies and officers comply with the requirements of the law, the Charter and internal documents of the Bank concerning observance and protection of rights of the Bank's shareholders; to ensure observance of the procedure for preparing and holding General Shareholders' Meetings and Supervisory Board meetings, to ensure observance of the mandatory disclosure procedure, and to improve the Bank's existing corporate governance practices.

The Bank's corporate governance system is an important element of CREDIT BANK OF MOSCOW's policy integrated in its business management system. The Bank intends to conform to the best international and Russian corporate governance standards.

Acknowledging the significance of corporate governance for its long-term success, the Bank is continually improving its management system in line with the principles and provisions of the Russian Code of Corporate Conduct and UK Corporate Governance Code, which contain essential directives for both directors and executives of the Bank.

## Corporate governance principles

Corporate governance in the Bank is a system of principles, norms and rules regulating relations between shareholders, members of the Bank's Supervisory Board, executive bodies of the Bank and other stakeholders.

The Bank undertakes to improve corporate governance in accordance with the following principles:

### Equality of interests

This principle ensures equal treatment of all shareholders of the Bank. To implement this corporate governance principle, the Bank shall:

- adhere to equal treatment of all classes of the Bank's shareholders;
- facilitate participation of all its shareholders in managing the Bank by way of adopting resolutions at the Bank's General Shareholders' Meeting as provided by the law of the Russian Federation, the Bank's Charter and this Code;
- comply with a procedure for convening and holding the Bank's General Shareholders' Meeting providing an equal opportunity to its participants to express their views;
- observe the procedure for undertaking material corporate actions enabling its shareholders to obtain full information thereon and for guaranteeing observance of their rights regardless of their shareholder class;
- provide equal access for all the Bank's shareholders to the same information and a common procedure for providing information to all shareholder classes;
- establish a transparent procedure for electing officers to the Bank's management bodies, with full information regarding such officers to be made available to all its shareholders;

- take all possible measures to settle any disputes between the Bank's management bodies and its shareholders, and between shareholders where such dispute affects the Bank's interests.

### Manageability

This principle enables shareholders to exercise their rights to participate in the management of the Bank. To implement this corporate governance principle the Bank shall:

- ensure the functioning of a reliable and effective system of recording shareholders' rights to shares, and also facilitate free and prompt disposal of their shares;
- observe the procedure for convening and holding the Bank's General Shareholders' Meeting enabling shareholders to obtain information regarding the conduct of the General Shareholders' Meeting of the Bank, to prepare for it in the appropriate manner, and to be advised of the list of persons entitled to participate in the General Shareholders' Meeting of the Bank;
- select the place, date and time for holding the Bank's General Shareholders' Meeting so that its shareholders would have a genuine and convenient opportunity to participate in the General Shareholders' Meeting of the Bank and exercise their rights to participate in the management of the Bank;
- comply with the conditions stipulated by the law of the Russian Federation and the Bank's Charter for nominating candidates for election as members of the Bank's Supervisory Board;
- establish common qualification requirements for persons who could be proposed as candidates for nomination to the Bank's Supervisory Board, and rigorously observe the cumulative voting procedure for

electing the members of the Supervisory Board, which is a guarantee for ensuring the rights of shareholders to participate in the management of the Bank.

### Accountability

This principle ensures full accountability of the Bank to its shareholders and is implemented through timely and full disclosure to the Bank's shareholders of accurate information regarding its current financial condition, economic indicators achieved, operational results and management structure, which enables the Bank's shareholders and investors to make well-informed decisions. To implement this corporate governance principle, the Bank shall:

- provide the shareholders of the Bank with detailed information on each item on the agenda in preparation to the holding of a General Shareholders' Meeting so that shareholders may have a correct understanding of the issues on the agenda;
- include in the annual report to be presented to shareholders all necessary information for assessing the results of the Bank's activity in that year;
- establish an accessible procedure for the Bank's shareholders to obtain any information on the Bank's activities in which they are interested;
- specify and ensure compliance with a procedure to control the use and provision of any confidential information and commercial and/or banking secrets;
- comply with legal requirements regarding the disclosure of information to be mandatorily brought to the shareholders' attention.

The procedure for exercising the rights of shareholders to access information of interest to them and the list of information subject to banking

and commercial secrecy and the procedure for obtaining this information are set out in the Bank's Charter and internal regulatory documents.

### Openness

This principle enables shareholders to effectively participate in the distribution of the Bank's profit (receiving dividends). To implement this corporate governance principle, the Bank shall:

- use a transparent procedure which shareholders understand for determining the amount of dividends and the procedures for its payment and to take steps to ensure the most accessible and simple procedure for the receipt of dividends;
- provide its shareholders with any information of interest to them regarding the Bank's financial results and proposals for the distribution of net profit for shareholders to have an exact understanding of the Bank's conditions for paying dividends;
- provide shareholders access to the Bank's financial statements and annual reports.

### Transparency

This principle ensures maximum transparency of the activity of the Bank's officers. To implement this corporate governance principle, the Bank shall:

- use a transparent procedure for electing members of the Bank's Supervisory Board and Management Board, which ensures that all shareholders are provided with the necessary information about them;
- observe an absolute ban on any insider trading.

The procedure for election of, and the main requirements for, the Bank's officers and their reporting are provided for by the law of the Russian Federation and the Bank's Charter and the internal regulatory documents of the Bank.

### Controllability

This principle envisages that the Bank's Supervisory Board would undertake the strategic management of the activity of the Bank and effectively control the performance of its executive bodies, and that the Bank's Supervisory Board members are accountable to its shareholders. To implement this corporate governance principle, the Bank shall:

- approve the Bank's development strategy (by resolution of the Bank's Supervisory Board), and ensure effective control by the Bank's Supervisory Board over the Bank's financial and commercial activities;
- establish the requirements for nominees to the Bank's Supervisory Board enabling the election of those who can most effectively perform the functions which are assigned to the Supervisory Board of the Bank;
- establish procedures for ensuring the active involvement of the Bank's Supervisory Board members in managing the Bank, with clear regulation of procedural matters;
- take measures for improving the Bank's Supervisory Board structure by creating committees for the preliminary examination of the most important issues relating to the competence of the Bank's Supervisory Board;
- take measures to establish effective control over the performance of the Bank's Management Board by determining a procedure for the Management Board to submit reports to the Bank's Supervisory Board.

The procedure for the election of, and main requirements for, the Bank's Supervisory Board members, and also procedures for the Bank's Supervisory Board's activity and its committees are stipulated by the law of the Russian Federation, the Bank's Charter and the Code of Corporate Conduct.



### Effectiveness

This principle enables the Bank's Management Board, acting reasonably and in good faith, to manage effectively the Bank's current activities, and also establishes accountability of the Bank's Management Board to the Bank's Supervisory Board and shareholders.

To implement this corporate governance principle, the Bank shall:

- as required by the laws of the Russian Federation, define the responsibilities of the Bank's Management Board as reflected in the Bank's Charter;
- by fulfilling the duties assigned to the Bank's Supervisory Board, to maintain a system of control of the activity of the Bank's Management Board for the purpose of the most effective performance of the functions assigned to it, including execution by the Bank's Management Board of the stipulations of the Bank's Development Strategy;
- maintain the remuneration of the Chairman and members of the Management Board and other officers of the Bank in line with their qualification and actual contribution to the results of the Bank's activity;
- take measures to ensure that the Bank's Management Board reasonably respects in its activities the interests of third parties, the Bank's customers and partners, the state and local authorities on whose territory the Bank is located;
- maintain a system of recruiting and HR management encouraging the Bank's employees to be committed to the efficient performance of the Bank and contributing to a gradual and steady growth of in the well-being of the Bank's employees.

The procedure for election of, and main requirements for, the Bank's Management Board members, and guidelines for the Bank's Management Board are provided for by the law of the Russian Federation, the Bank's Charter and this Code.

### Responsibility

This principle sets out the ethical norms for the Bank's shareholders. This corporate governance principle can only be implemented with the direct involvement and voluntary participation of the Bank's shareholders by excluding:

- abuse by the Bank's shareholders of their rights;
- shareholders actions undertaken solely to harm other shareholders or the Bank.

Furthermore, this principle implies liability of the Bank's officers for any illegal or wrongful (wilful or negligent) acts or omissions, as provided for by current legislation.

The Bank acknowledges the rights of all stakeholders conferred by the current legislation, and seeks co-operation with such persons in pursuit of its development and financial sustainability.

### Amendments to the Bank's corporate governance system in 2013 and areas for further development

In 2013 the Supervisory Board approved the Bank's Corporate Governance Development Plan under which:

- the Supervisory Board committees' proceedings were optimised: they switched to parallel or consecutive meetings, depending on circumstances, with the attendance from the Supervisory Board's side by the respective committee members only and the invitation of selected representatives of top and middle management for more in-depth examination of the matters being considered by the respective committees;
- a Supervisory Board Remuneration Policy and a Remuneration Policy for Members of the Management Board and Selected Senior Execu-

tives of the Bank were developed and approved;

- the office of Corporate Secretary was instituted within the structure of the Bank's governing bodies, and the Regulation on the Corporate Secretary was approved;
- a Regulation on Transactions Requiring Approval by the Bank's Governing Bodies was developed and approved;
- a revised Code of Corporate Ethics was adopted;
- risk management policy documents were revised and approved, a Policy with respect to the External Auditor was adopted;
- the Bank's Information Policy, Corporate Conflict Settlement Policy and HR Policy were developed and approved;
- the Bank's Charter was amended to accommodate changes in Russian law and in the system of the internal control bodies.

Among the procedures to improve its corporate governance system, the Bank seeks to make its business more transparent, in particular through extensive communications with Russian and international investors, both existing and potential, to which end in 2013 it:

- held 4 conference calls and webcasts for investors and analysts to present its financial results;
- held a series of investor meetings in Hong Kong, Singapore, Zurich, Geneva, London, Boston and New York resulting in the successful placement of a USD 500 mln 8.7% subordinated (Tier II) Eurobond due 2018 and a senior USD 500 mln 5-year 7.7% Eurobond;
- regularly met with representatives of investment funds globally as part of investor relations activities;
- took part in top international investment financial conferences and fo-

runs such as events organised by Deutsche Bank, Citibank, UBS, etc.;

- undertook considerable work to improve its disclosure practices which concerned, among other things, its website;
- undertook serious work to improve the quality of disclosure in its Annual Report, with its new Annual Report 2012 winning the expert community's recognition and taking the 1st place in the XVI annual federal competition of annual reports and corporate websites held by RCB media group as the "Best Annual Report in the Financial Services Sector". The Bank was also listed as one of the Top-3 in the annual reports competition held by the rating agency Expert RA for nomination "Best Annual Report in the Financial Sector".

In implementation of the Corporate Governance Development Plan approved by the Supervisory Board, in 2014 the Bank plans to:

- develop and submit for approval by the General Shareholders' Meeting the Bank's dividend policy;
- develop and approve:
  - a) a new Code of Corporate Governance reflecting recommendations of the national Code of Corporate Governance approved by the Bank of Russia's Board of Directors on 10.04.2014;
  - b) a long-term incentive policy for members of the Management Board;
- evaluate the Management Board's performance;
- implement a self-assessment programme for the Supervisory Board and its committees.

The main distinctive features of the Bank's corporate governance are:

- all-round protection of shareholders' rights and interests;

- accountability of the Supervisory Board, Chairman of the Management Board and the Management Board to shareholders;
- commitment to maintain an efficient internal control and audit system;
- commitment to informational and financial transparency;
- compliance with ethical norms of business conduct stated in its Code of Corporate Ethics;
- a balance maintained between the Bank's economic interests and its social commitments.

The Bank's compliance in 2013 with the Code of Corporate Conduct recommended by the FSC of Russia's Order No. 421/r dated 04.04.2002 is discussed in Annex 1 to this report.

Transactions requiring approval by the Bank's governing bodies are listed in Annex 2 to this report.

### General Shareholders' Meeting

The General Shareholders' Meeting is the Bank's supreme managing body. Shareholders' participation in general meetings is the basic form of exercising their right to participate in the Bank's management. Shareholders can have a significant impact on the business through voting. In particular, shareholders' meetings have the power to approve the annual report and annual accounting statements, elect the Bank's key management and control bodies, approve major transactions and interested party transactions and also a number of other important matters.

The procedure for preparing and holding General Shareholders' Meetings is governed by the Bank's Charter and by the Regulation "On the

General Shareholders' Meeting of CREDIT BANK OF MOSCOW which are intended to ensure observance of shareholders' rights and comply with all requirements of the law of the Russian Federation.

In 2013, in addition to the annual General Shareholders' Meeting, 5 (five) extraordinary shareholders meetings of the Bank were held to consider the following issues:

- making amendments to the Charter of the Bank, approving a restated Charter of the Bank;
- increasing the Bank's charter capital by placing additional ordinary registered uncertified shares in the Bank;
- electing new members of the Supervisory Board;
- approving a restated Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW, a restated Regulation on the Management Board and the Chairman of the Management Board of CREDIT BANK OF MOSCOW, the Supervisory Board Remuneration Policy of CREDIT BANK OF MOSCOW;
- the Bank's joining the self-regulatory organisation "National Securities Market Association";
- approving interested party transactions.

### Registrar

As a means to safeguard shareholders' titles to shares, the Bank's share register is maintained by an independent registrar. The Bank's registrar since December 2012 has been OJSC "REESTR".

## Supervisory Board

The Supervisory Board is the key element of the Bank's corporate governance system. The Supervisory Board represents shareholders' interests and is responsible for increasing the value of the business by organising effective management.

The Supervisory Board's competence is set out in the Bank's Charter and the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW which specifies the procedure for convening and holding Supervisory Board meetings and formulates the basic qualification requirements for Supervisory Board members.

The Supervisory Board is an actively functioning body which governs the Bank's activities by dealing with such key issues as setting the priority direction of the activities of the Bank, monitoring the performance of internal control system and the risk management process, forming (electing) the Bank's executive bodies, recommending dividend amounts and payment procedures, creating Supervisory Board committees, etc.

Supervisory Board meetings are regularly called according to a calendar schedule of meetings for each corporate year and the work plan. The Bank also has a well-developed structure of Supervisory Board committees comprising the Audit and Risk Committee, the Corporate Governance, Nominations and Compensation Committee, and the Strategy and Capital Markets Committee. These committees preliminarily consider, and prepare recommendations on, the most important matters reserved to the competence of the Supervisory Board.

Eighteen Supervisory Board meetings were held in 2013 (of which 4 were in-person meetings) which considered the following issues:

- approving the Bank's development strategy;
- electing the Bank's executive bodies;
- considering reports and approving plans of the Internal Audit and Control Division;
- creating Supervisory Board committees and electing their members;
- considering financial results of the Bank's activities;
- approving the Bank's policy documents;
- approving interested party transactions;
- approving transactions subject to approval in accordance with the Bank's Charter;
- increasing the charter capital.

## Supervisory Board meetings' statistics for 2012-2013

		2013	2012
1.	Number of Supervisory Board meetings, of which	18	29
	in-person meetings	4	4
	absentee votings	14	25
2.	Number of issues transacted at SB meetings	136	113



Total number of issues transacted by the Supervisory Board in 2013, of which:		136
1.	Strategy / Banking activities / Raising capital / Corporate and retail banking	36
2.	Corporate governance	34
3.	Nominations, remunerations, organisational structure	17
4.	Financial and management reporting	13
5.	Internal audit and control	13
6.	Risk management	12
7.	Major and interested party transactions	11

### Preparing Supervisory Board meetings and their quorum

The Charter requires that materials relating to items on the agenda be provided to Supervisory Board members 15 days in advance of the meeting so as to allow them to formulate their position for the voting. Most of the key agenda items are subject to preliminary consideration at a Supervisory Board committee meeting. The Supervisory Board's work plan determines in advance which committee is competent to undertake the preliminary examination of a particular matter.

When holding in-person meetings, Supervisory Board members, including independent directors also meet with representatives of the Bank's shareholders and the Chairman of the Management Board, by way of business meetings or business dinners which provides an in-

formal ambience for Supervisory Board members to discuss materials relating to a meeting's agenda and clarify the preliminary voting positions of the parties.

Supervisory Board meetings are well-attended.

No Supervisory Board meeting was adjourned for want of quorum.

### Supervisory Board members as at December 31, 2013

The current Supervisory Board members were elected by an extraordinary General Shareholders' Meeting on March 31, 2014 by cumulative voting and will serve until the next annual shareholders' meeting to be held in June 2014.

As at December 31, 2013, there were 12 Supervisory Board members. This number is enough to meet the banking business needs and ensure the necessary mix of professional skills, experience, independence and knowledge of the Bank to allow the Supervisory Board to exercise its powers.

Out of the current Supervisory Board members, five directors qualify as independent directors under the independence criteria set forth by the Bank's Charter and Code of Corporate Governance.

This proportion of independent directors corresponds to international practice and ensures unbiased, prudent and independent decision-making.

One of the independent Supervisory Board members with extensive business experience, in particular in financial, investment and strategic management, is elected as the Senior Independent Non-Executive Director.

	Director	In-person meetings	Absentee meetings	Attendance
1.	William Forrester Owens	4 / 4	14 / 14	100%
2.	Sandy Vaci	4 / 4	13 / 14	93%
3.	Anton R. Avdeev	4 / 4	11 / 11	100%
4.	Roman I. Avdeev	4 / 4	11 / 11	100%
5.	Mustafa Boran	0 / 4	14 / 14	78%
6.	Andrew Sergio Gazitua	4 / 4	14 / 14	100%
7.	Richard Damien Glasspool	4 / 4	14 / 14	100%
8.	Nikolay V. Kosarev	1 / 4	12 / 14	72%
9.	Mikhail E. Kuznetsov	2 / 2	5 / 5	100%
10.	Genadi Lewinski	4 / 4	14 / 14	100%
11.	Alexander N. Nikolashin	3 / 4	12 / 12	94%
12.	Vadim N. Sorokin	3 / 4	14 / 14	94%
13.	Nicholas Dominic Haag	0 / 0	1 / 1	100%
14.	Vladimir A. Chubar	4 / 4	12 / 12	100%



**William Forrester Owens**  
Independent Non-Executive  
Director, Chairman  
of the Supervisory Board

**Born:**  
on 22 October 1950  
in Fort Worth, Texas (USA)

**Education:**  
University of Texas (USA),  
Stephen F. Austin State University (USA)

Mr Owens' professional career began on the consulting staff of the Big Eight firm of Touche Ross & Co. (now Deloitte) and later he was also in the oil business. From 1995 to 1999 he held the office of Colorado State Treasurer, and then served two terms as Governor of Colorado in 1999-2007.

Mr Owens served for five years (2007-2012) as an Independent Director of Far Eastern Shipping Company (FESCO), a Russian shipping, logistics and port company which is listed on MICEX-RTS. Mr Owens also served as Chairman of FESCO's Strategy Committee.

William Owens is presently Managing Director of Renew Strategies, a Colorado-based water and land development company, and serves on the boards of Key Energy Services (NYSE), Cloud Peak Energy (NYSE), Bill Barrett Corporation (NYSE) and Federal Signal Corporation (NYSE).

Member of the Bank's Supervisory Board since 2012. Chairman of the Bank's Supervisory Board since 16 April 2013. No stake in the Bank's charter capital.



**Anton R. Avdeev**  
Non-Executive Director, member  
of the Supervisory Board

**Born:**  
on 26 February 1988  
in Odintsovo, Moscow Region

**Education:**  
Moscow University for Industry and  
Finance

In 2007 he was awarded an MBA degree «Euromanagement — Master of Business Administration» by Academy of Management (AFW) (Germany).

Since 2010 he has served on the Bank's Supervisory Board. He currently acts as Advisor to the Vice President of the Production Facilities Development Department of the Asset Management Company MCB Capital.

No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013

**Roman I. Avdeev**

Non-Executive Director, member  
of the Supervisory Board

**Born:**

on 17 July 1967  
in Odintsovo, Moscow Region (Russia)

**Education:**

Lipetsk State Technical University  
(1996), certificate in banking from  
Moscow International University  
of Business and Information  
Technologies (1994)

From 1995 to 2007 he held the office of the Chairman of the Supervisory Board. Member of the Bank's Supervisory Board since 2008.

No stake in the Bank's charter capital. Indirectly controls 85% of shares in the Bank.

**Andrew Sergio Gazitua**

Senior Independent  
Non-Executive Director, member  
of the Supervisory Board

**Born:**

on 14 February 1962  
in New York (USA)

**Education:**

in 1985 Mr. Gazitua graduated from  
Haverford College as a Bachelor of Arts  
in Political Science.

Mr. Gazitua started his investment banking career in 1989 with Merrill Lynch & Co in New York, transferring to London in 1992 to work in the financial institutions group. In 1999, Mr. Gazitua joined Donaldson, Lufkin & Jenrette International (subsequently acquired by Credit Suisse) as a Senior Vice President in investment banking.

After leaving Credit Suisse, Mr. Gazitua joined Putnam Lovell as a Managing Director in 2003 and subsequently re-joined Merrill Lynch & Co. in 2004 as the Chief Operating Officer for the European operations of investment banking and capital markets (or Origination). In 2007, he assumed responsibilities for Origination for Central and Eastern Europe, Middle East and Africa («CEEMEA») and became the Chief Operating Officer for Global Origination.

From 2009 to 2011, Mr. Gazitua was Head of CEEMEA Corporate and Investment Banking at Bank of America Merrill Lynch. At present, he is on the Board of Directors of Web Financial Group, S.A. and is an advisor to Civitas Partners Limited.

Member of the Bank's Supervisory Board since 2012. No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013





**Richard Damien Glasspool**  
Independent Non-Executive  
Director, member of the  
Supervisory Board

**Born:**  
on 27 May 1956  
in Southampton (UK)

**Education:**  
University of Manchester (1978),  
Fellow of the Institute of Chartered  
Accountants in England and Wales (1983)

His career began in the audit company Arthur Andersen & Co in London, then he was Finance Manager in Amersham International plc and Financial Controller in Extel plc.

For 17 years he worked at KPMG, taking up the post of adviser on Russia, Poland, Bulgaria and the Middle East, a partner in KPMG Bulgaria, a partner in KPMG Russia and CIS. In 2007-2008 he was an Independent Director and a member of the Board of "RESO Garantia". From March to October 2008 he was a Non-Executive Director, Head of the Audit Committee and a member of the Board of Directors of Sobinbank. For more than two years, he was an Independent Director in SLP Engineering (UK).

At present, he serves as Director of Bowker Glasspool Consult Ltd. (UK), an Independent Consultant of OGN Investment Partners, an Independent Director in SLP Production Limited, and an Independent Consultant in a number of projects.

Member of the Bank's Supervisory Board since 2008. No stake in the Bank's charter capital.



**Nikolay V. Kosarev**  
Independent Non-Executive  
Director, member of the  
Supervisory Board

**Born:**  
on 10 November 1950  
in Elektrostal, Moscow Region (Russia)

**Education:**  
Moscow State Institute of Irrigation  
Engineering (1973), PhD in economics

Since 2001 Mr. Kosarev has been a Member of the Federation Council of the Russian Parliament representing the Tambov Regional Duma. Since 2004 he has been Deputy Chairman of the Federation Council Committee of Natural Resources and Environmental Protection.

Member of the Bank's Supervisory Board from 2010 to 31 March 2014. No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013

**Mikhail E. Kuznetsov**

Non-Executive Director, member  
of the Supervisory Board

**Born:**

on 20 June 1979  
in Samara (Russia)

**Education:**

Mr. Kuznetsov (Ph.D. in Economics) graduated from Samara State Economic University with a degree in management in 2001, graduated in finance at the Loyola Marymount University (USA), obtained the Institute of Directors (UK) Diploma in Company Direction. Certificate course on Corporate Governance in Schulich School of Business, York University (Canada)



At various times, Mr. Kuznetsov held managerial positions in Aviacor, Lukoil-Volga, Promsviaz and International Finance Corporation (IFC). He also has board experience with such companies as SG-TRANS, Partner-Invest, Volzhanka and IDGC.

Currently, Mr. Kuznetsov serves as an Independent Director on the board of OJSC "Russian meat products" and OJSC "Energosetproject". He is the CEO and managing partner of the Corporate Development Advisers, and CEO of the Association of Corporate Directors and Managers.

Mr. Kuznetsov participates in various corporate governance round tables, is an MBA program tutor of RANEPa (Corporate governance, Strategic Management), member of the Russian National Council for Sustainable Development Reporting at Russian Union of Industrialists and Entrepreneurs (RSPP) and a member of National Register of Independent Directors of RSPP.

Member of the Bank's Supervisory Board since 2013. Mikhail Kuznetsov was nominated to the Bank's Supervisory Board by IFC and RBOF Holding Ltd. No stake in the Bank's charter capital.

**Genadi Lewinski**

Independent Non-Executive  
Director, member of the  
Supervisory Board

**Born:**

on 24 November 1976  
in Kiev (Ukraine)

**Education:**

University of Bielefeld (Germany)



Mr. Lewinski is a member of the Advocates' Chamber of Hamm and German Bar Association. He is also an attorney, a sworn and certified translator from German, Ukrainian and Russian languages.

Genadi Lewinski graduated from the University of Bielefeld with a degree in legal studies in 2003. After mandatory practice in the District Court of Bielefeld, in 2006 he was officially admitted to the Bar.

He also received Special Education in Corporate and Trade Law. In 2006 Mr. Lewinski started his own legal office which is operating successfully today.

Member of the Bank's Supervisory Board from 2010 to 31 March 2014. No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013


**Alexander N. Nikolashin**

Non-Executive Director,  
member of the Supervisory Board

**Born:**

on 16 October 1966  
in Moscow (Russia)

**Education:**

Saratov Higher Military Command  
School named after F.E. Dzerzhinsky  
(1988), Moscow State Social  
University (2005)

Alexander Nikolashin joined the Bank in 1994 with experience in security. During his career, he supervised the Bank's retail business, legal work, branch network operation, HR department, cash handling and security services of the Bank. From 2008 to 2012 held the office of the Chairman of the Management Board, after which he became the President of the Bank.

In March of 2013 Mr. Nikolashin became the President of MCB Capital, an asset management company created by Roman I. Avdeev, the Bank's major shareholder, to manage the Bank and his other assets.

Member of the Bank's Supervisory Board since 2008. No stake in the Bank's charter capital.


**Vadim N. Sorokin**

Non-Executive Director, member  
of the Supervisory Board

**Born:**

on 22 July 1969  
in Moscow (Russia)

**Education:**

State Finance Academy

Certified Public Accountant of the American Institute of Certified Public Accountants (AICPA), Member of the Institute of Professional Auditors of Russia.

Vadim Sorokin worked as CFO & VP in Alba Alliance bank from 1995 to 1997. From 1997 he was a partner and Head of the Financial Services Practice for the CIS in Deloitte. In 2008 he joined MDM Bank as a Deputy Chairman of the Management Board where he was responsible for the finance activity of the bank and investor relations, headed the bank's strategic development and also worked with the Board of Directors. Since 2010 he has been the CFO and a member of the Management Board and Board of Directors of Tekhnosila.

Vadim Sorokin was delegated to the Bank's Supervisory Board by the European Bank for Reconstruction and Development (EBRD).

Member of the Bank's Supervisory Board from 2012 to March 31, 2014. No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013


**Vladimir A. Chubar**

Executive Director, member of the Supervisory Board, Chairman of the Management Board

**Born:**

on 18 July 1980  
in Bezhetsk, Tver region (Russia)

**Education:**

the Finance Academy under the Government of the Russian Federation (2005)

Vladimir Chubar joined the Bank in 2004 as a financial reporting unit specialist, and then successively assumed positions of unit head, department head and Director of the Financial Division. In autumn 2008 he was appointed a Deputy Chairman of the Management Board. Currently he is the Chairman of the Management Board.

Member of the Bank's Supervisory Board since 2010. No stake in the Bank's charter capital.


**Nicholas Dominic Haag**

Executive Director, member of the Supervisory Board

**Born:**

on 24 May 1958  
in London (UK)

**Education:**

In the 1970s was educated at Eton College and in 1980 graduated from Oxford University with a 1st class degree in Modern Studies / Geography

Mr. Haag has extensive knowledge of fund-raising (private/public) and M&A in Europe and emerging markets.

Started his career in 1980 with Barclays De Zoete Wedd progressing to become Head of Equity Syndicate. Then, after several years at Nomura International he joined Paribas (now BNP Paribas) as Managing Director in equity capital markets and subsequently was responsible for European investment banking operations. At Paribas Nicholas Haag started a Technology sector group which was recognised as one of the best in the bank market.

From 1999 to 2007 held top positions in Technology Banking with ING Barings and ABN AMRO (London) where he was a senior Managing Director. From 2008 to 2012 he was Managing Director and head of UK Equity Capital Markets with Royal Bank of Scotland / Hoare Govett, inter alia in charge of all IPO activities for RBS with domestic UK and foreign companies raising capital in London.

At present Mr. Haag is a nominee to the Supervisory Board of TBC Bank, one of the Top-2 banks in Georgia, and is on advisory/investment committees for various UK educational institutions.

Member of the Bank's Supervisory Board since 2013. No stake in the Bank's charter capital.

Supervisory Board composition as at end-2013



On March 31, 2014 an extraordinary General Shareholders' Meeting re-elected the Supervisory Board whereby the following members left the board: V.N. Sorokin, G. Lewinski and N.V. Kosarev.

The newly elected Supervisory Board included additional directors with substantial practical banking experience and highly qualified in financial and management accounting, risk management and corporate governance.

**Thomas Gunter Grasse**

Non-Executive Director, member of the Supervisory Board

**Born:**

on 15 May 1955  
in Ludwigshafen am Rhein (Germany)

**Education:**

in 1977 he received his Bachelor's degree in Banking from the Frankfurt School of Finance and Management

He gained broad experience in commercial and investment banking while working for HypoVereinsbank, Munich (now UniCredit) from 1974-2007 in a number of senior executive managerial positions in Germany, Luxembourg and Poland. From 2007-2009 he served as CFO and COO of UniCredit Market & Investment Banking Poland, based in Warsaw. While at HypoVereinsbank he gained significant experience in Corporate Development and strategic M&A and was responsible for numerous corporate transactions with a focus on financial institutions in Germany, Austria, the UK, Russia and the CIS, as well as managing strategic partnerships and stakeholdings in various investment projects.

His Board experience in Russia includes Banca Intesa Russia, International Moscow Bank (now UniCredit) and a leading Russian packaging company. Since 2009 Mr. Grasse has served on various bank boards in Russia, Central Asia and the EU as an independent director on behalf of international financial institutions and institutional investors.

Thomas Grasse was delegated to the Bank's Supervisory Board by the European Bank for Reconstruction and Development (EBRD).



**Brendan Gerard Walsh**  
Independent Non-Executive  
Director, member of the  
Supervisory Board

**Born:**  
on 20 January 1960  
in Dumbarton (UK)

**Education:**  
in 1981 he graduated from Glasgow  
University with a BSc in Computer  
Science

He started his career in financial services with American Express in 1983 within the audit department, before moving on to take on a series of senior positions within the Company's finance department; he then was appointed CFO for Australia, New Zealand and the South Pacific.

Following this, Brendan Walsh held a series of general management positions within American Express's travel and payments divisions. From 2000-2005 he was responsible for American Express's International Travel and Foreign Exchange business, overseeing the development of the company's international foreign exchange network. Currently he is head of the Global Corporate Card department in American Express for Europe, Middle East and Asia. Brendan Walsh is Chairman of American Express Services Europe Ltd., and is also an advisor to OFGEM, the UK government regulator of the gas and electricity markets; and is a member of the European Payments Council, based in Brussels which focuses on the payments systems of the European banking sector.



**Bernard Daniel Sucher**  
Independent Non-Executive  
Director, member of the  
Supervisory Board

**Born:**  
on 6 June 1960  
in Detroit (USA)

**Education:**  
studied Russian language and the  
Russian economy, politics and culture;  
he has a bachelor's degree in business  
from the University of Michigan

Mr. Sucher's professional career in finance began in New York in 1984 with EF Hutton. Then he took on various positions with Japan specialist Cresvale and later with Goldman Sachs, working in New York, London, Hong Kong and Tokyo.

In 1993, Bernard Sucher moved to Moscow, where he co-founded and helped build the investment bank Troika Dialog. From 2002, Mr. Sucher oversaw the restructuring and re-launch of Alfa Capital, one of Russia's first asset management firms. From 2007 to 2010, he led Merrill Lynch's profitable re-entry into Russia, becoming Country Head following the firm's acquisition by Bank of America.

Today, Mr. Sucher serves on the boards of Aton, Russia's oldest independent investment bank, and UFG Asset Management, one of the largest international investors in Russia.

## Supervisory Board committees

In 2013 the Supervisory Board updated the committees' profiles by specifying their procedural authority more precisely, redefining their competence and optimising their proceedings. These steps were intended to ensure greater involvement of Supervisory Board members in important aspects of the Bank's operations.

The Supervisory Board committees were created to undertake a preliminary study of the most important matters reserved to the competence of the Supervisory Board and to provide relevant recommendations. They serve as a venue for the open exchange of opinions and an in-depth study of the matters being considered.

The Supervisory Board committees had the following memberships as at December 31, 2013:

### Audit and Risk Committee of the Supervisory Board:

1. Richard Damien Glasspool (Independent Director, Chairman of the Committee);
2. Vadim N. Sorokin (Non-Executive Director);
3. Andrew Sergio Gazitua (Independent Director).

### Compensation, Corporate Governance and Nominations Committee of the Supervisory Board:

1. William Forrester Owens (Independent Director, Chairman of the Committee);
2. Mikhail E. Kuznetsov (Non-Executive Director);
3. Roman I. Avdeev (Non-Executive Director).

### Strategy and Capital Markets Committee of the Supervisory Board:

4. Andrew Sergio Gazitua (Independent Director, Chairman of the Committee);
5. William Forrester Owens (Independent Director);
6. Vladimir A. Chubar (Executive Director);
7. Vadim N. Sorokin (Non-Executive Director).

Upon re-election of the Supervisory Board on March 31, 2014, the committee memberships changed as follows.

### Audit and Risk Committee of the Supervisory Board:

1. Richard Damien Glasspool (Independent Director, Chairman of the Committee);
2. Thomas Gunter Grasse (Non-Executive Director);
3. Bernard Daniel Sucher (Independent Director);
4. Brendan Gerard Walsh (Independent Director).

### Compensation, Corporate Governance and Nominations Committee of the Supervisory Board:

1. William Forrester Owens (Independent Director, Chairman of the Committee);
2. Roman I. Avdeev (Non-Executive Director);
3. Andrew Sergio Gazitua (Independent Director);
4. Mikhail E. Kuznetsov (Non-Executive Director).

**Strategy and Capital Markets Committee of the Supervisory Board:**

1. Andrew Sergio Gazitua (Independent Director, Chairman of the Committee);
2. Thomas Gunter Grasse (Non-Executive Director);
3. Bernard Daniel Sucher (Independent Director);
4. William Forrester Owens (Independent Director);
5. Brendan Gerard Walsh (Independent Director);
6. Nicholas Dominic Haag (Executive Director);
7. Vladimir A. Chubar (Executive Director).

The Committees consist mainly of Supervisory Board members who do not serve in the Bank's executive bodies. The Bank's internal regulations require each committee to have at least one independent director.

**The Strategy and Capital Markets** Committee analyses the Bank's strategic management issues and ensures functioning of the strategic management cycle, formulation of the Bank's dividend policy and evaluates the effectiveness of the Bank's long-term performance. The Committee also focuses on preparing recommendations for the Supervisory Board regarding fund raising from international capital markets, optimising the internal processes related to the Bank's capital market activities and building the model of internal cooperation in connection with funding.

Apart from the above tasks, the Committee is involved in the budget process, reviews the information at the stage of budget preparation, make a preliminary review of the Bank's financial model, as well as interested party transactions and major transactions submitted to the Supervisory Board for approval.

**The Audit and Risk Committee** supervises the external auditors' performance, makes recommendations on their nomination and remuneration, evaluates the risk management system and controls its operation. The Committee devotes much time to issues related to the internal control and audit system which is developed by the Director of Internal Audit and Control Division who is fully accountable to the Supervisory Board. The Committee is authorised to make recommendations to the Supervisory Board on the effectiveness of the performance of the Internal Audit and Control Division and on the remuneration of its Director and staff. In addition, the Audit and Risk Committee devotes considerable attention to creating an efficient risk management system.

The Committee monitors compliance with Russian statutory requirements, the regulatory requirements relating to financial and accounting statements, and the Central Bank of Russia's requirements for banks. The Committee reviewed the opinion of CREDIT BANK OF MOSCOW's Auditor in respect of the Bank's IFRS and RAS financial statements.

**The Compensation, Corporate Governance and Nominations Committee** gives preliminary consideration to candidates for the position of Chairman and members of the Management Board, participates in the development of, and initially considers, draft HR strategies and incentive programmes for the staff and the Management Board, and provides an evaluation of the Management Board's performance for the Supervisory Board.

Furthermore, the Committee actively supports the development of corporate governance practice in the Bank by addressing such matters as the remuneration policy for Management Board members, the Supervisory Board remuneration policy, information policy, the corporate conflict resolution policy, code of ethics, etc.



## Liability Insurance

To provide liability protection for the Supervisory Board members and officers of the Bank, since 2013 the Bank has taken out liability insurance for the Directors and officers.

## Supervisory Board's and its committees' performance appraisal

In accordance with best international and Russian corporate governance practice, in the first half of 2014 the Supervisory Board for the first time assessed its own performance and the performance of its committees in the 2013 financial year.

It was made by way of a questionnaire under the Regulation on Evaluation of the Supervisory Board in the course of which the directors answered more than 30 questions with the opportunity to provide additional comments.

As a result of the review of the questionnaires summary information was prepared according to the analysis criteria to identify priority areas of improvement which were then discussed and approved at an in-person meeting of the Compensation, Corporate Governance and Nominations Committee and by the Supervisory Board of the Bank.

## Remuneration of the Supervisory Board

The amount and procedures for payment of the remuneration of Supervisory Board members are determined in accordance with the Supervisory Board Remuneration Policy approved by an extraordinary General Shareholders' Meeting on 30 October 2013.

The Supervisory Board Remuneration Policy provides remuneration to certain Supervisory Board members and reimbursement of justified expenses incurred in performing their duties.

Remuneration for serving as Supervisory Board members is paid to:

- Supervisory Board members qualifying as independent under criteria set forth in the Bank's Charter,
- Supervisory Board members who are not employees or members of management bodies of any of the Bank's affiliated companies.

The basic remuneration is paid in cash for serving as a Supervisory Board member during a financial year and depends on the number of meetings attended by the director involved.

Additional remuneration payable to Supervisory Board members depends on their involvement in the Supervisory Board committees' work.

The total amount of the Supervisory Board members' remunerations for 2013 was RUB 76,735 thousand.

Supervisory Board members are reimbursed for actual properly documented expenses related to their attendance at Supervisory Board meetings. Remuneration and reimbursements are paid by the Bank on a quarterly basis within one month after each calendar quarter.

## Chairman of the Management Board and the Management Board

The Management Board of the Bank is the collective executive body of the Bank responsible for the overall direction of the Bank's current activities. The Management Board of the Bank is headed by the Chairman of the Management Board who is the sole executive body of the Bank.

The functions reserved to the competence of the Management Board and the Chairman of the Management Board are set out in the Bank's Charter and the Regulation on the Management Board and the Chairman of the Management Board of CREDIT BANK OF MOSCOW.

Key responsibilities of the Management Board include: ensuring the implementation of any resolutions of the General Shareholders' Meeting and the Supervisory Board, and any recommendations of the Audit Panel; the organisation and management of the Bank's day-to-day activities; forming committees for any activities of the Bank and delegating to these committees some of the powers of the Management Board under respective committee regulations in accordance with approved regulations; determining the Bank's organisational structure and total headcount, and reviewing the staffing of the Bank.

The Chairman of the Management Board directs Management Board proceedings, represents the Bank and undertakes transactions without a power of attorney, disposes of the Bank's property, organises the accounting and reporting in the Bank, and decides other matters arising in the Bank's day-to-day activities.

The Management Board is elected by the Supervisory Board indefinitely as recommended by the Chairman of the Management Board. The Board and Chairman of the Management Board report to the Supervisory Board.

In 2013 Mr. Alexey V. Kosyakov was appointed to the Management Board.

**Vladimir A. Chubar**

Chairman of the Management Board, Member of the Supervisory Board

**Born:**

on 18 July 1980  
in Bezhetsk, Tver region (Russia)

**Education:**

the Finance Academy under the Government of the Russian Federation (2005)

Vladimir Chubar joined the Bank in 2004 as a financial reporting unit specialist, and then successively assumed positions of unit head, department head and Director of the Financial Division. In autumn 2008 he was appointed a Deputy Chairman of the Management Board. Currently he is the Chairman of the Management Board.

Member of the Bank's Supervisory Board since 2010. No stake in the Bank's charter capital.



**Dmitry A. Eremin**  
First Deputy Chairman  
of the Management Board

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**Born:**  
on 14 December 1978  
in Moscow (Russia)

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**Education:**  
Academy of Federal Security Service  
of the Russian Federation (2001),  
Moscow Institute of Economics and  
Finance (2003)

Dmitry Eremin joined CREDIT BANK OF MOSCOW in 2002 as manager of the corporate business unit, and then successively assumed positions of unit head, deputy branch director and branch director. In spring 2008 Mr. Eremin headed the Corporate Business Division and in July of the same year was appointed a Deputy Chairman of the Board - President. In February 2012 he was appointed the First Deputy Chairman of the Management Board. Dmitry Eremin is responsible for corporate and retail business, including the Cash Handling and Automated Facility Network Directorate, and also for the Marketing and Advertising Division.

No stake in the Bank's charter capital.



**Darya A. Galkina**  
Deputy Chairperson of the  
Management Board

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**Born:**  
on 20 June 1981  
in Moscow (Russia)

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**Education:**  
Moscow Academy of Economics  
and Law (2003)

Darya Galkina has worked in the banking sector since 2005. Before joining CREDIT BANK OF MOSCOW, she worked at Integral bank.

Darya Galkina joined the Bank in 2006 and then successively assumed positions of senior lawyer, unit head, department head and then headed the Legal Division. In September 2010 Mrs. Galkina was approved as a Management Board member and in February 2012 she was appointed a Deputy Chairperson of the Management Board. Darya Galkina supervises the Bank's Legal Division, Maintenance Department, and Human Resources and Clerical Service Division.

No stake in the Bank's charter capital.



**Alexey V. Kosyakov**  
Deputy Chairman  
of the Management Board

**Born:**  
on 12 August 1983  
in Vidnoe, Moscow Region (Russia)

**Education:**  
Moscow Engineering and Physics  
Institute (2006), Plekhanov Russian  
Academy of Economics (2009)

Alexey Kosyakov has worked in the banking sector since 2005. Before coming to CREDIT BANK OF MOSCOW, Alexey worked at «Russian Standard» bank, International Moscow Bank, Swedbank and Bank of Moscow. He joined the Bank's team in April 2011 as the Head of Consumer Lending Department. Mr. Kosyakov was appointed Director of the Retail Lending Division in July 2011, and Head of the Retail Business Directorate in February 2012. Since October 2013 he has been a Deputy Chairman of the Management Board and a Member of the Management Board.

No stake in the Bank's charter capital.



**Marina M. Nastashkina**  
Deputy Chairperson  
of the Management Board

**Born:**  
on 10 June 1970  
in Moscow (Russia)

**Education:**  
Mendeleev Russian Institute  
of Chemistry and Technology (1994)

Marina Nastashkina has worked in the banking sector since 1998.

Ms. Nastashkina joined CREDIT BANK OF MOSCOW in August 1998 as manager of the Client Network Development Unit of the Bank Development Department.

After working as a unit head and a deputy branch director, she was promoted to a branch director position in September 2005, while in April 2009 she was appointed Vice President of the Corporate Client Directorate. In April 2011 Ms. Nastashkina became First Vice President of the Corporate Client Directorate. Since February 2012 she has been a Deputy Chairperson of the Management Board and a member of the Management Board.

No stake in the Bank's charter capital.





**Evgeny V. Sandler**  
Deputy Chairman  
of the Management Board

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**Born:**  
on 17 September 1980  
in Bryansk (Russia)

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**Education:**  
Bryansk State Technical University –  
diploma in Mechanical Engineering (2002),  
and diploma in Economics & Management  
(in Mechanical Engineering), MBA degree  
from the Academy of National Economy  
under the Government of the Russian  
Federation (2008). Ph.D. in Economics

Evgeny Sandler has worked in the banking sector since 2003. Before joining CREDIT BANK OF MOSCOW, he worked at JSB SOYUZ (OJSC) and OJSC BALTINVESTBANK.

Evgeny Sandler joined CREDIT BANK OF MOSCOW in August 2008 as a branch director. In April 2009 he was promoted to Vice President of the Corporate Client Directorate.

In November 2010 Mr. Sandler was appointed First Vice President of the Corporate Client Directorate. Since February 2012 till June 2014 E.V. Sandler has been a Deputy Chairman of the Management Board and a member of the Management Board.

No stake in the Bank's charter capital.



**Svetlana V. Sass**  
Chief Accountant

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**Born:**  
on 1 April 1965  
in Moscow (Russia)

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**Education:**  
Moscow State University of Economics,  
Statistics and Informatics (1987)

Svetlana Sass has worked in the banking sector since 1992. Before joining CREDIT BANK OF MOSCOW, Svetlana worked at Russian Universal Investment Bank, Impexbank, Russian Credit Bank and Holding Credit Bank.

Svetlana Sass has been the Chief Accountant of the Bank since June 2008, and a Management Board member since November 2008.

No stake in the Bank's charter capital.



**Yulia B. Podobrazhnykh**  
Deputy Chairperson  
of the Management Board

**Born:**  
on 15 May 1975  
in Solnechnogorsk, Moscow Region (Russia)

**Education:**  
Moscow State Academy of Food Production, degree in Accounting and Audit (1997), State University of Management, degree in Banking Management (2003)

Yulia Podobrazhnykh started her career in CREDIT BANK OF MOSCOW in April 2002 in the position of Senior Economist of the Credit Products Development Unit of the Lending Division. From June 2003 to September 2005 she was a deputy branch director and a branch director. In September 2005 she was appointed Head of the Corporate Lending Department. In April 2009 she was promoted to Vice President of the Corporate Clients Directorate, and in November 2010 to First Vice President of the Corporate Clients Directorate.

In April 2011 she was appointed Director of the Risk Management Division responsible for maintaining the risk management system and re-engineering the internal processes for analysing and managing credit risks of corporate customers, retail customers, insurance and financial companies, and securities issuers.

In June 2012 Mrs. Podobrazhnykh was approved as a Management Board member and from October 2013 till June 2014 she was appointed Deputy Chairperson of the Management Board.

No stake in the Bank's charter capital.



**Yury A. Ubeev**  
Deputy Chairman of the  
Management Board

**Born:**  
on 21 October 1974  
in Vladimir (Russia)

**Education:**  
East Siberia State University of Technology and Management, degree in management (1996)

Yury Ubeev has worked in the banking sector since 1996. Before joining CREDIT BANK OF MOSCOW, he worked at Buryat Innovation and Commercial Bank, CJSCB Interregional Commerce & Industry Bank, JSCB Rus-Bank and CB Novoe Vremya LLC.

Mr. Ubeev joined CREDIT BANK OF MOSCOW's executive team in August 2011 as Vice President, and has been a Deputy Chairman of the Management Board and a member of the Management Board since February 2012. In this capacity, Yury supervises the Financial Markets Operations Division, the Bank's open-market debt programmes, and interbank cooperation, both domestic and international.

No stake in the Bank's charter capital.

## Remuneration of the Management Board

The amount and procedures for payment of remuneration to the Management Board members are set out in the Remuneration Policy for Members of the Management Board and Selected Senior Executives of the Bank, according to which bonuses are paid depending on the results of the activity of the financial year.

The payment of bonuses to the Bank's executive bodies is conditional upon the Bank achieving its annual objectives under the approved development strategy and is determined on the basis of the key development indicators in each business area under its responsibility.

A long-term incentive plan for the Management Board is planned to be launched in 2014.

Remuneration of the Management Board members in 2013 was RUB 154,407,129.76.

## Internal control system

The internal control system is an integral part of the corporate governance system and one of the most vital elements in the Bank's effective performance. The internal control system provides protection to the interests of the Bank's investors and customers by ensuring that the Bank's employees act in compliance with Russian laws, regulations and professional standards. It ensures a level of reliability appropriate to the nature of the Bank's operations and minimises banking risks. The internal control system is organised according to the best international practices and is fully compliant with the laws of the Russian Federation. The necessary degree of independence of the Bank's internal control system is ensured by a discipline of cooperation and accountability of its constituent elements, which, in turn, allows the system to function

most effectively. The current system of internal control in the Bank makes it possible to be confident that for each material risk there is a appropriate policy, management procedures and other measures, such that the system of internal control ensures the reliability and effectiveness of the processes as a whole. The system of internal control is based on a clear allocation of authorities and responsibilities between the Bank's executive bodies, departments and employees. The main requirements for the organisation of internal control as well as the allocation of authority and areas of responsibility are enshrined in the internal documents of the Bank. The Audit and Risk Committee, which reports to the Supervisory Board, supports the efficient functioning of the internal control system in the Bank and secures the effective participation of the Supervisory Board in exercising control over the financial and commercial activities of the Bank.

Internal control is undertaken by:

- the General Shareholders' Meeting of the Bank;
- the Supervisory Board of the Bank;
- the Management Board of the Bank;
- the Chairperson of the Management Board and his/her deputies;
- the Chief Accountant and his/her deputies;
- the Audit Panel of the Bank;
- the Audit and Risk Committee of the Supervisory Board of the Bank;
- the Bank's subdivisions and employees responsible for internal control as authorised by the Bank's internal documents;
- the Internal Control Division;
- the subdivision (employee) in charge of internal control for anti-money laundering;

- the stock market professional participant comptroller;
- other subdivisions as may be required by the nature and the scale of the Bank's business.

The Bank attaches special importance to measures taken for anti-money laundering and combating financing of terrorism. Internal control programmes and regulations, which are based on the "Know your Customer" principle, enabled the Bank to increase the effectiveness of its risk management in 2013.

### Audit Panel

The Bank's Audit Panel is a standing elective body forming part of the Bank's internal control system. The Audit Panel acts in the interests of the Bank and its shareholders for the purposes of mitigating the risks of the Bank's business activities.

The Audit Panel of the Bank is subject to the legislation of the Russian Federation, the regulations of the Bank of Russia, the Bank's Charter, the Regulation on the Audit Panel and the resolutions of the General Shareholders' Meeting of the Bank.

Within its competence, the Audit Panel of the Bank shall inspect the Bank's compliance with applicable laws and regulations, organising the Bank's internal control, the legality of operations made by the Bank (by full or selective verification) and the state of the Bank's cash and property.

According to the Bank's Charter, the Audit Panel of the Bank consists of three members elected by the General Shareholders' Meeting for a term ending at the next annual General Shareholders' Meeting.

On June 27, 2013 the Bank's General Shareholders' Meeting elected the following persons to the Audit Panel of the Bank:

Roman Y. Gavrishchenko, Director of Financial Control and Audit, Managing company LLC "MCB Capital";

Alexander V. Razjivin, Deputy Director of Financial Control and Audit, LLC "MCB Capital" (member of the panel);

Vladislav S. Lurye, Director of Legal Division, LLC "MCB Capital" (member of the panel).

### Audit and Risk Committee

The Audit and Risk Committee acts in the interests of the Bank's shareholders, the Bank itself and its investors, promotes the establishment of an effective system of control over the financial and commercial activity of the Bank, and ensures the actual involvement of the Supervisory Board in exercising control over the financial and commercial performance of the Bank.

The Audit and Risk Committee acts within powers conferred to it by the Supervisory Board under the relevant regulation.

In its activities, the Audit and Risk Committee is fully accountable to the Supervisory Board and is subject to the legislation of the Russian Federation, the Bank's Charter, the Regulation on the Supervisory Board, the Regulation on the Audit and Risk Committee and other internal documents of the Bank as approved by the General Shareholders' Meeting and the Supervisory Board of the Bank, and also the resolutions of the Audit and Risk Committee.

The Audit and Risk Committee co-operates with other Supervisory Board Committees, the Bank's Audit Panel, the Auditors of the Bank, the Management Board, the Internal Audit and Control Division and other management and control bodies of the Bank.



## Internal Audit and Control Division

The role of the Internal Audit and Control Division (IACD) is to conduct internal audit and control and provide direct assistance to the Bank's management bodies in ensuring its efficient operation by providing independent and objective recommendations aimed at increasing the effectiveness of the systems of internal controls, risk management and corporate governance. The IACD monitors the compliance of the rules, procedures and practices of the Bank's operations with the regulatory acts in force, the Bank's Charter, the resolutions of the Bank's authorized bodies, monitors of the effectiveness of the functioning of the decision-making system and allocation of authority, the risk management system, the system for combating money laundering and the financing of terrorism, as well as of other systems of protection of the Bank's activities, conducts internal audits of the Bank's subdivisions' activities. The IACD is independent in its activities. The independence of the IACD is established by the Bank's internal documents, and is defined by the following principles, in accordance with which the IACD:

- is subordinated to and accountable to the Supervisory Board of the Bank;
- does not undertake activities subject to audit;
- on its own initiative, reports to the Supervisory Board of the Bank on matters arising in the course of exercising of the IACD's functions, and on proposals regarding their resolution, and also provides such information to the Chairman of the Management Board and the Management Board of the Bank.

The organisational structure of the IACD includes subdivisions responsible for the current monitoring and audit of corporate, retail business and information technology.

The following matters are within the competence of the IACD:

- verification and evaluation of the effectiveness of the internal control system;
- verification of the risk management system;
- verification of the reliability and adequacy of the procedures securing the safety of property;
- verification of the reliability, completeness, objectivity and timeliness of accounting and management reports;
- verification of compliance with the requirements of the laws and standards of self-regulated organisations;
- verification of the adequacy and reliability of the system of internal controls in terms of the use of automated information systems.

Within its competence, the IACD cooperates with the Bank's Audit and Risk Committee and external auditors with regard to the provision of information concerning the system of internal control, as well as the major deficiencies identified by the IACD in the course of the audit.





**From team spirit  
to leadership**



## 10. Sustainable Development



## Personnel

The Bank's key strategic goal with regard to its employees is to maintain its reputation as an exemplary employer. The Bank understands that its employees are its main asset. They form the Bank's reputation, interact with partners and customers, and implement the Bank's commercial and strategic goals.

Particular attention is paid by the Bank to investment in human resources, including the necessary training, creating a management pool and the development of a personnel policy aimed at the resolution of emerging issues, creation of a clear system of key performance indicators (KPI) and career growth, cultural development of personnel, including sports activities, etc. The Bank's key principles include equal opportunities for all employees, and the Bank gives priority to the internal development of personnel.

In 2013 the Bank confirmed its reputation as a reliable employer devoting particular attention to the level of employees' qualifications being ready to invest in their professional growth, create and implement career development programs and attractive and flexible incentive systems, and provide good working conditions and competitive salaries.

As of 31.12.2013, the Bank had 4,545 employees. The increase in headcount compared to the previous year was 12.5%. This was required by the strategy of business development and increase in business volumes, involving the expansion of the existing departments and the creation of new ones.

### Employee motivation, evaluation and training

In 2013 the Bank continued to implement new and improve existing personnel-related procedures aimed at meeting the requirements of the business and implementation of the Bank's development strategy.

The Bank's HR policy has always been and continues to be oriented specifically towards building a team of professionals, which is why the Bank is continually improving the existing incentive and evaluation systems through changing and enhancing the techniques of implementation and undertaking regular reviews.

In 2013 for the purpose of intensifying attention on the achievement of objectives further work was undertaken to synchronise employee salary policies and procedures. In particular, the existing employee incentive schemes were systematised and new principles of remuneration and performance assessment for different areas the Bank were introduced. The remuneration policy for senior officers is also being developed consistent with the long-term remuneration programme.

In order to standardise the subdivisions' performance assessment procedures, during the year, measures were introduced to optimise the approach to evaluating employees of various categories with regard to choosing the best evaluation methods.

The most significant projects implemented in the area of employee development and training include the following:

- transition to a common format for retail customer service in the Bank's branches;
- implementation of an integrated development system for the managerial staff of the retail business;
- additions to the list of training programmes under the in-house School of Growth project. 17 new courses were introduced, and more than 270 of the Bank's employees received training under this program in 2013.

Career development and employee promotion programmes are being successfully implemented in the Bank. More than 600 promotions (among them, 90 promotions to senior positions in the Head Office and points of sales) were made under these programmes.

As part of the transition to a common format of retail customer service in the Bank's branches and the implementation of the integrated development system for the managerial staff of the retail business, 30% of branch employees and 98% of retail network managers (from branch director upwards) have taken in-house advanced training courses.

## Corporate culture

In 2013 the Bank adopted the new Code of Corporate Ethics, developed in compliance with the generally accepted principles and norms of international law, and the law of the Russian Federation.

In the area of responsible corporate conduct, the Bank plans to pay particular attention to the Bank's employees' and management's compliance with the ethical standards and rules stipulated by the Bank's Code of Corporate Ethics, which are aimed at combating corruption, discrimination, violation of shareholders' rights and non-observance of their interests, as well as at ensuring respect of human rights. As part of the improvement of the Bank's corporate governance system, it is planned to develop a number of internal regulations, which as a priority will be communicated to all employees, as well as ensuring compliance by the Bank's employees' with the requirements of the Bank's Code of Corporate Ethics.

Giving the highest importance to family values and including them in a number of key corporate values representing the moral basis for the Bank's activities, the Bank's employees have an attitude of concern and sympathy towards children who represent our future, and who at times require urgent aid and assistance. Being governed by these considerations, the Bank actively cooperates with different charitable funds providing help to seriously ill children. The Bank also actively contributes to the development of charitable activities in the Moscow region. Thus, the Bank provides its customers with the facility to transfer funds to different charitable funds without charge directly through the Bank's payment terminals.

In addition to the help provided to children, the Bank's employees do not remain indifferent to each other, especially in situations when such help is critically needed. The Bank arranges supporting events to colleagues and their relatives in a difficult situation in their lives (serious disease, accident, loss of breadwinner), and the Bank's employees not only provide financial assistance, but also act as donors when needed, and help to arrange the search for places of rehabilitation.

A priority in the Bank's activities is the maintenance of amicable relations in the team based on mutual help, trust, assistance to each other, and therefore helping colleagues in a difficult situation is cannot but figure at the top of the Bank's corporate values.

Thus, care about people, mutual help, kindness and mercy form the core of social corporate values shared by the Bank's employees. The high level of corporate culture sought by the Bank is an important strategic factor in mobilizing all of the Bank's structural elements and its individual employees to reach the goals set within the framework of the Bank's mission statement.

## Corporate social responsibility. Supporting children's creative supplementary education

In 2013, with the support of the Government of Moscow, the Bank was again a co-organiser of the 'Bright People' children's art festival, aimed at reviving children's supplementary creative education in Russia and discovering and supporting children's talents and abilities, in order to raise a new generation of bright people ready for new discoveries and achievements.

The Bank has always respected family values. Its top management and employees have always participated in helping children. Organising the children's creative festival 'Bright People' has become a fine tradition for the Bank. The original concept of the festival came from the Bank's charitable activities which support neglected children. Such participation on the part of the Bank has always had an "informal" style and is expressed through the personal efforts of top-management and employees to help those in need of care. The 'Bright People' festival is a way to organise a family holiday which is not only an opportunity to relax and spend time with one's family but also to participate in creative master-classes, hands-on workshops and games.

In 2013 'Bright People' for the second time impressed the citizens and thrilled adult and young participants, by a number of new master-classes, performances and workshops. The latest 'Bright People' festival, which was supported by the Moscow's Department of Culture, was highly appreciated by Muscovites and was awarded the honorary status of a "city celebration". In 2014 all Moscow's districts will contribute to the festival, thus creating a totally inimitable creative mood throughout the city.

A special feature of the 2013 'Bright People' festival was the participation of some of the best Moscow's teachers and educators presenting innovative approaches to personal development and education. The festival's workshops covered a wide range of creative fields to give each child participant an opportunity to become closely acquainted with such arts as cinema, theatre, dance, arts and crafts, mosaic, design and even animation! The real treat of the festival were the headliners from around the world and, of course, more than 80,000 guests who were not only the audience but direct participants in the event.

The 2013 festival's main goal was not only to draw people's attention to children's creative education but also to serve as an example and inspire other such events which can become a worthy tradition for the city, a tradition that will help discover, inspire and cultivate new talents in children.

## Information technologies

The Bank pays great attention to the construction of a failsafe and powerful IT infrastructure. As it is necessary to ensure guaranteed execution and high efficiency of banking and, first and foremost, customer transactions, the main criteria when designing the IT infrastructure are the elimination of single points of failure and the ability to rapidly to expand the IT systems processing capacities.

To solve these tasks at the level of data storage systems, the Bank uses a distributed storage system based on HP StoreVirtual equipment. Reduction of the number of storage system breakdowns and scheduled shutdowns for maintenance has proven that the chosen direction of development is correct. In 2013, this direction developed significantly;



furthermore, the IT systems with the highest requirements for processing power (ABS, plastic cards processing) have been equipped with a distributed data storage system based on an IBM SAN Volume Controller system in addition to the HP StoreVirtual.

To build a failsafe and powerful IT infrastructure, the Bank uses “Tsvetnoy Boulevard” data processing centre (DPC) based on hi-tech engineering systems by APC (HACS InfraStruXure, Symmetra PX, StruxureWare Central). Its construction based on flexible and integratable architecture which grows along with the IT infrastructure led to the launch the second stage of this DPC in 2013, which made it the Bank’s major server platform. Use of StruxureWare ensures maximum manageability of the complex engineering infrastructure through the possibility to collect, order and send critically important advices, video surveillance system records, and other important information, thus providing the possibility to get a full picture of the complex engineering infrastructure from any point of the network.

The Bank continually updates the IT infrastructure to meet the growing requirements of its IT systems in terms of their capacity and reliability. In 2013, within the framework of the project for improvement of the Bank’s network, a new network node (10G) based on Cisco FabricPath was put into operation, which considerably raised the capacity and fail safety of key IT systems, and provided a basis for improving other elements of the Bank’s network system (network with the Bank’s additional offices, communications channels with partners, integration with the Internet).

Merging 3 data processing centres (DPC) into a single distributed data centre (DDC) allows the Bank to ensure effective execution of transactions with a high level of protection against any infrastructure breakdowns. All DPCs which are part of the DDC are connected by a network

of independent fibre-optic links (Dark Fiber) which connect server platforms by the main and reserved non-overlapping routes. Use of DDC architecture has increased reliability and scalability of IT infrastructure at acceptable costs, because in this architecture, failure of one centre does not lead to failure in the functioning of the IT systems; and only their capacity decreases. Taking into account the capacity of power reserves to be installed, the total decrease in capacity in case of failure of one data centre would not exceed 10-15%, and will be mainly limited by the least critical systems at the Office Productivity level.

The functional operation of the DDC is run under the management of VMware vSphere visualisation platform. The virtual server farm is based on use of cloud technologies in the form of a Private Cloud, and is the main processing capacity for the Bank. Use of virtualisation based on the VMware High Availability Cluster has increased the reliability of IT systems’ functioning, increased the servers utilisation ratio, raised equipment density, and increased the speed of roll-out and greater possibilities for testing has accelerated the introduction of new products. In addition, this solution allowed the simplification of the planning of expenditure for the IT infrastructure through the combination of processing resources.

The Bank’s planned expansion of processing power is to be done by commissioning IBM xSeries (System x3950 X5) dedicated powerful servers and IBM HS23 blade servers on an IBM BladeCenter H chassis. All servers and chassis are distributed between DDC platforms.

One of the main tasks of the IT subdivisions is to choose optimal solutions for the automation of bank transactions, and an increase operational efficiency. By developing its IT capabilities the Bank plans to reduce both material and time costs in most business processes. This approach will significantly enhance the Bank’s competitive position, the attractiveness of its banking products and increase the quality of customer service.

In the year 2013, the Bank undertook a full upgrade of its own software «CBM-Factoring» in response to the needs of this rapidly developing factoring services market.

In addition, in 2013, the Bank successfully installed the industrial software “Depositary Accounting” and customer risk accounting with «FLEXTERA AML» software provided by Diasoft. Analysis of the issue of updating the Bank’s back-office system has begun, the RFPs for key areas are being drafted and the choice of the basic platform is being planned.

The Bank continues actively using IBM WebSphere WAS and ESB when launching new software in the Bank. This integration platform was at the heart of projects such as the installation of CRM Siebel for corporate customers and for IEIS installation.

In 2013, the general purpose loan data stream implemented on the basis of Oracle Siebel 8 received a high rating from Oracle, and was named the “Innovation Project of the Year” at the Oracle AppsForum 2013. In addition, according to Oracle, in 2013, the Bank was “the first among Oracle’s customers in Eastern Europe and the CIS to start using the new version of Siebel for Financial Services 8.1.1.10 in a production environment, and to use the most advanced developments in the field of CRM as of today.” Thus, the Bank currently has the most up-to-date technological platform for its retail product development. Within this advanced platform, in 2013, the Bank also started implementing CRM for corporate customers. Use of the advanced Open UI technology within the framework of this project increases the operational flexibility of this software, and creates additional technological potential for the Bank. The first stage of the project involves the data migration of customer information and accounts from the Bank’s current systems, integration of CRM with it and implementation of interfaces for working with customer information. As a result, a

significant increase in efficiency of working with corporate customers is expected, as well as additional synergy between retail and corporate business. The results already achieved in the course of the project include improvement in data quality, optimisation of the current business processes, decision as to the status of corporate CRM as a MDM system for working with corporate customers.

In 2013, for automating the processes for servicing corporate customers, the Bank launched a project for building a loan data stream based on “FORECAST. Loan Portfolio Management” solution, which should reduce risks, time and costs at all stages of loan and investment transactions, and, in the long run, raise customer service quality, through implementation of a systematic approach on the basis of new technology. As of today, the framework of the project has been agreed, the business requirements and architectural concept have been written.

One of Moscow’s largest cash handling centres is operating within the Bank. To maintain technological leadership in this area, the Bank’s IT specialists have developed and continue constantly to improve specialised automation software for the activities of employees working in the centre. The capabilities of the software allow the Bank to reduce significantly the costs of collections from the trading points of their customers, the collection of cash revenue and the cash of other credit institutions, to collect cash from terminals and ATMs and collect cash from the internal departments of other credit institutions.

By ensuring strict control over operational efficiency, the Bank’s development strategy involves the maximum use of remote client service systems. In undertaking transactions, most corporate clients use the online banking system “Your Bank in Your Office”. The Bank’s total electronic workflow represents approximately 90% of the total number of documents processed.

In 2013, the Bank successfully underwent regular scheduled inspection, initiated by the Federal Security Service of Russia, for compliance with the requirements for activities connected with use of facilities for cryptographic data protection.

In 2Q 2013, the Bank launched an Internet version of its IT system “Your Bank in Your Office” – “Your Bank Online”, which allows its users to request account statements in the shortest possible time, to make payments, and to exchange documents with the Bank. The system was developed to account for the specifics of the Bank’s business, which cover such important processes as cash handling, payroll schemes and foreign exchange legislation.

In late December 2013, the electronic foreign exchange trading system for major customers “MKB – Exchange” moved to the phase of acceptance testing.

“CBM-Online” – the on-line banking system for individual customers, similar to “Your Bank in Your Office / Your Bank Online” is also gaining wider customer acceptance. In 2013, services were developed for greater customer convenience, which allow bank cards to be issued, insurance policies to be taken out, participation in a bonus program or acceptance of a loan offer. Another service has been implemented within the work on improvement of the system’s security, which allows customers to limit the location in which bank card transactions can be made, and, in case of threat, to block the bank card or the system in general by means of an SMS. Launched in 2013 as well, the household bookkeeping service allows its users to control, optimise, manage and produce reports on their finances, income and expenses.

For the purpose of increasing information security of the “Your Bank in Your Office” electronic system, CREDIT BANK OF MOSCOW has in-

troduced a new means of cryptographic protection – a USB token. A USB token is a flash card with encrypted data, and is one of the most advanced current data protection methods.

For those customers who prefer to use mobile devices, a new fully-functional mobile version of “CBM-Online” system for Android and iOS smartphones – “CBM-Mobile” – was launched in 2013. Its functionality and scalability were significantly improved.

As at January 1, 2013, the Bank was in second position in the ranking of banks by number of payment terminals (RBC.Rating) located in Moscow, and in sixth position in Russia. The Bank significantly expanded the functionality of the terminal network since it was launched. Currently, customers can make payments for purchases both in cash and using Visa and MasterCard bank cards, obtain information on their banking products, top up accounts, open and top up deposits, repay loans, make money transfers throughout Russia and neighbouring countries by using self-service terminals. To improve the quality of this service, the Bank has signed direct contracts for acceptance of payments with telecom operators such as Megafon, Beeline, MTS, Yandex-money, WebMoney, and other operators. Due to the high usage of the Bank’s terminal network and the constantly increasing flow of the relevant transactions, the Bank undertakes constant monitoring and a proactive scaling of this system.

Since 2009, the Bank has been a full member of Visa and MasterCard, has an extensive network of ATMs and terminals, issues bank cards: credit, prepaid, virtual, both for the mass customer segment and premium card categories. To provide the Bank’s customers with a comprehensive and high-quality service when undertaking plastic cards transactions, the Bank operates its own processing centre from the

international company TSYS Card Tech. For the purposes of maintaining a full operating cycle and capability for the prompt issue of plastic cards, the Bank operates its own card personalisation centre.

In accordance with the decision to actively develop its own merchant services, the Bank has significantly increased the number of POS terminals installed in points of sale, and has entered into agreements with large retail chains for integration of the terminal equipment being used which operates with cash solutions. In order to increase its competitive ability and reduce the operational cost of merchant transactions, the Bank has certified PayPass and PayWave technologies for acceptance of contactless MasterCard and Visa cards. To reduce the time required for transactions and the subsequent operational costs of support for retail clients, the Bank has implemented a technology of electronic cheque signature on POS terminal screen, with the subsequent storage of it on the bank's server equipment.

The Bank is constantly expanding the range of its plastic cards operations. To increase the functionality of its terminals, the Bank has implemented the acceptance of cash in ATMs with Cash-in function, and has launched the processing of transactions through direct gateways with MTS, Beeline, MGTS, WebMoney, and others. "United Bank Card" project has been implemented, which allowed customers to use both their own and borrowed funds with a single card. In 2013 the Bank obtained the license, and certified the solution, enabling merchant services to be provided over the Internet (e-commerce) with Visa and MasterCard cards for trading and service enterprises, and has proceeded to provide these services primarily to the Bank's corporate customers. At the end of 2013 the Bank certified the issuance of and began issuing Visa PayWave contactless cards.

In addition, in 2013, VISA gave an award to CREDIT BANK OF MOSCOW for the rapid launch of a mobile merchant service, which was implemented by the Bank in December 2012: CREDIT BANK OF MOSCOW, together with VSK Insurance and the Visa international payment system, launched a pilot project for payment of insurance services using mobile terminals. Thanks to the mPOS terminals of CREDIT BANK OF MOSCOW, VSK insurance agents are enabled to accept payment of insurance premiums by credit cards at any location: despite their miniature size, mobile POS terminals have the same functionality as fixed-site ones.

In addition, in 2013, the Bank implemented a new service of instant transfers to plastic cards (Visa Money Transfer and MasterCard Money Send), based on which third-party banks' cards can be replenished with cash in its own terminal network. This service expands the client base of the terminal network, and provides new opportunities for interaction with the Bank's customers.

The Bank ensures a high level of security for transactions using plastic cards. The Bank is regularly audited for compliance with the security requirements imposed by the PCI-DSS payment systems. The Bank's cards are reliably protected by EMV and 3Dsecure technologies.

The Bank develops its own network of ATMs on the basis of direct agreements with banks which have a wide network of ATMs, thereby reducing transaction costs. At present, the Bank has integrated ATM networks with Rosgosstrakhbank, UniCreditBank, Alfa-Bank, based on direct inter-host solutions with the banks as well as through international payment systems.

## Social and environmental responsibility

CREDIT BANK OF MOSCOW devotes special attention to environmental and safety issues. With EBRD and IFC as shareholders, the Bank has assumed additional responsibility for compliance with social and environmental standards, environmental safety of their borrowers' projects and social responsibility to the public, as applied by the leading international financial institutions. The Bank's obligations are reflected in the CREDIT BANK OF MOSCOW's updated Social and Environmental Policy (October 2013) which establishes the Bank's principles and approaches in environmental management and social responsibility.

Environmental and social components have been successfully integrated in the Bank's business model by adhering to international norms and standards in social and environmental management. Each project's social and environmental aspects are separately analysed which also contributes to the borrowers' social and environmental awareness, with particular emphasis on ecological safety and culture.

In traditional financing and in other forms of financial support offered to customers the Bank complies with EBRD's Performance requirements (TP1-TP10) and IFC's Performance standards for social and environmental sustainability. Projects related to activities excluded from the EBRD and IFC financing facilities are not financed by the Bank. Applications from the customers whose activities are listed as prohibited are not considered.

Financing and services are provided by the Bank in compliance with the health and safety regulations, safety procedures and labour and environmental standards of the Russian Federation. For timely monitoring of amendments to the Russian environmental, health protection and safety legislation the Bank has implemented an internal procedure of notifying key employees responsible for control over and coordination of the implementation of the Social and Environmental Policy.

The controlling and coordinating functions are assigned to the social and environmental manager, who is appointed from the top executive management of the Bank, and the social and environmental protection measures coordinator. The competence of the social and environmental protection measures manager and coordinator are confirmed by the relevant certificates issued upon their completing the IFC courses in financial sustainability in 2009 and 2011 (Sustainability Training and E-Learning Program). In 2013, the following persons were responsible for systematic implementation of the social and environmental program: D.A. Eremin, First Deputy Chairman of the Management Board, SEMS Officer, and Y.V. Linovitskaya, Head of International Finance Unit of FI and Capital Markets Department of the International Business Division, SEMS Coordinator. Concurrently, the cooperation with all the Bank's internal structural subdivisions, whose activities are socially and environmentally important, was developed and improved during the last year. The Bank's system of social and environmental risk management is based on the specific division of functions between the Bank's management and the subdivisions involved in the credit process.

The cooperation process of the structural subdivisions was clearly developed during 2013: regular environmental inspections were carried out, the Bank's loan portfolio was continuously monitored for environmental and social risks, loan inspectors communicated with the borrowers regarding the provision of social and environmental information to the Bank and informing the borrowers of the requirements of the Russian environment protection laws and EBRD and IFC's prohibited industries list. These measures increased environmental effectiveness, raised the borrowers' and the public's environmental awareness, and ensured an integrated approach to a social and environmental assessment of the projects being financed.



Periodical internal environmental audits and monitoring of the loan portfolio undertaken in the Bank help to detect the early stages of the emergence of social and environmental risks in the Bank's customers' activities, and to allow the implementation of a range of preventive measures for their complete elimination or minimisation in a timely manner.

For the purpose of achieving maximum synergy and transparency in the Bank's relations with its borrowers, the Russian health, safety and environment requirements, and information on the list of prohibited sectors excluded from the EBRD and IFC funding system are communicated to each borrower within the framework of its social and environmental policy. In addition, the Bank determines the compatibility of the borrowers' activities to be financed with the environmental requirements and criteria set.

The Bank makes its best efforts to be assured that its customers do not violate the health, safety and environment requirements (this relates to work accidents, legal disputes, lawsuits, fines), and observe the voluntary environmental commitments included in loan agreements. As a result, this reduces the risk of borrowers' incurring problems of debt servicing due to financial difficulties caused by non-compliance with legislative and regulatory acts on health, safety procedures and the environment.

According to 2013 results, the Bank's loan portfolio does not include doubtful loans due to environmental problems. During the last year no case was identified where a concluded transaction was turned down due to environmental factors; no cases were recorded where borrowers were involved in lawsuits, had accidents, received complaints, were fined or otherwise sanctioned due to their non-compliance with the social and

environmental requirements of the law of the Russian Federation on ecology, health protection and safety.

Every year the Bank reports to its international shareholders on how the Bank's borrowers meet the social and environmental requirements and on the social and environmental loan portfolio performance indicators in general.

To minimise the negative impact on the environment, the Bank's management is working on decreasing the use of energy resources in its activities. The consumption of resources by the Bank in 2013 is given in Annex 3 to this report.



## 11. Annexes





**From experience  
to stability**





## Annex 1. Bank compliance with the Code of Corporate Conduct in 2013

### General Shareholders' Meeting

1	Unless a longer notice period is required by law, shareholders shall be given at least a 30 day prior notice of the General Shareholders' Meeting, whatever its agenda may be		Clause 12.19. of the Charter
2	Shareholders shall be given access to the list of persons entitled to attend the General Shareholders' Meeting from the date of notice thereof to the closing thereof or until the deadline for submitting ballots if the meeting is held by absent voting		Art. 51 of the Federal Law "On Joint-Stock Companies" and cl. 5.4. of the Regulation on the General Shareholders' Meeting of the Bank
3	Shareholders shall be given an option to view any information (materials) to be presented in contemplation of the General Shareholders' Meeting by electronic means including the Internet		Shareholders are sent emails with information (materials) to be presented in contemplation of General Shareholders' Meetings
4	Shareholders may propose matters for the agenda of, or demand calling of, the General Shareholders' Meeting without presenting excerpts from the shareholders register if their rights to shares are recorded therein, or, if recorded in a custody account, upon presentation of a statement of such account		The Bank itself retrieves the list of shareholders



Yes



Partly







No







- |   |  |   |  |
|---|--|---|--|
| 5 | The charter or bylaws shall require that the General Shareholders' Meeting be attended by director general, members of the management board, members of the board of directors, members of the auditing commission and the company's auditor | — | Although attendance of the said persons is not required by the Bank's bylaws, the Bank seeks to ensure their attendance where appropriate. For instance, clause 13.15 of the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW specifies that the said persons may be invited to attend a General Shareholders' Meeting |
| 6 | Nominees to the board of directors, office of director general, management board and auditing commission, and the proposed external auditor shall attend the relevant General Shareholders' Meeting  | ✓ | This provision is partly reflected in clause 13.15 of the Regulation on General Shareholders' Meeting of the Bank (such persons may be invited to attend a General Shareholder's Meeting)  |
| 7 | The company's bylaws shall specify a registration procedure for the General Shareholders' Meeting  | ✓ | Clause 12.25 of the Bank's Charter sets forth that any General Shareholders' Meeting shall be deemed attended by any shareholders who have registered to participate therein   |

### Board of Directors






- |   |  |   |  |
|---|--|---|--|
| 8 | The charter shall authorise the board of directors to approve the annual corporate business plan | ✓ | Clause 12.36.20 of the Bank's Charter authorises the Bank's Supervisory Board to approve the Bank's business plan for a year or a longer period and/or the annual budget or any material amendments to any of them |
|---|--|---|--|

9	The board of directors shall approve the corporate risk management procedure		The Risk Management Policy, Statement on Risk Appetite and Risk Management System Development Plan were approved by the Supervisory Board of the Bank in November 2013
10	The charter shall authorise the board of directors to suspend director general appointed by the General Shareholders' Meeting		Appointment and termination of authorities of Chairman of the Management Board of the Bank is reserved to the Supervisory Board under cl. 12.36.9 of the Bank's Charter
11	The charter shall empower the board of directors to set out qualification requirements to and remuneration of the director general, members of the management board and senior managers		Clause 12.36.9 of the Bank's Charter reserves it to the Supervisory Board to determine remunerations to be paid to the Chairman and members of the Management Board. Also, clause 12.36.19 of the Bank's Charter reserves it to the Supervisory Board to approve the amount and terms of remuneration for the Head of the Internal Audit and Control Division
12	The charter shall empower the board of directors to approve contracts with the director general and members of the management board		Clause 12.36.9 of the Bank's Charter reserves it to the Supervisory Board to determine remunerations to be paid to the Chairman and members of the Management Board. Also, the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board provides that this committee puts forward proposals to the Supervisory Board as to essential terms of agreements with the Chairman and members of the Management Board



13	The charter or bylaws shall require that the votes of any members of the board of directors who are the director general or members of the management board do not count when approving contracts with the director general (management company, manager) and members of the management board		The Bank's bylaws do not so require
14	The board of directors shall include at least 3 independent directors qualifying under the Code of Corporate Conduct		The Supervisory Board of the Bank includes 5 independent directors
15	Anyone convicted of economic crimes or offence against the state, abuse of public or municipal office or penalised under administrative law for business, financial, tax or securities market malpractice may not serve on the board of directors		Under cl. 11.1 of the Law on Banks and Banking Activities and cl. 2.4. of the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW, nominees to the Supervisory Board must satisfy requirements set forth by federal laws and regulations of the Bank of Russia
16	Participants, director general (managing director), managers or employees of the company's competitors may not be members of its board of directors		
17	The charter shall require that the board of directors is elected by cumulative vote		Under Clause 12.38 of the Bank's Charter, Supervisory Board members are elected by cumulative voting
18	Corporate bylaws shall require members of the board of directors to refrain from any actions that will or might result in, and to disclose to the board of directors, any conflict between their own and corporate interests		This requirement is provided for by the Bank's Corporate Conduct Code

19	Corporate bylaws shall require members of the board of directors to notify the board of directors in writing of their intention to make any transaction with any securities of the company or its subsidiaries (affiliates) and disclose any such transactions made by them	—	Currently, this matter is regulated by law
20	Corporate bylaws shall require that meetings of the board of directors be held at least once in every six weeks	—	Cl. 4.3. of the Regulation on the Supervisory Board of the Bank requires Supervisory Board meetings to be held at least once every calendar quarter
21	Meetings of the board of directors during the year for which the annual report is made were held at least once in every six weeks	✓	18 Supervisory Board meetings were held in the reporting year
22	Corporate bylaws shall specify the procedure for meetings of the board of directors	✓	The procedure for holding the Bank's Supervisory Board meetings is specified in the Bank's Charter and the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW
23	Corporate bylaws shall require approval by the board of directors of any transactions for 10 or more percent of the company's assets other than those made in the ordinary course of business	✓	Clause 12.36.30 of the Bank's Charter requires Supervisory Board approval for any single transaction or series of related transactions to be made by the Bank outside of the ordinary course of its business and giving rise to an obligation for the Bank to pay amounts in excess of 5 per cent of its capital






24	Corporate bylaws shall entitle any member of the board of directors to obtain from managers of departments any information required to exercise his/her duties and shall set out responsibility for any failure to present such information		This entitlement is provided for by the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW and the regulations on Committees of CREDIT BANK OF MOSCOW's Supervisory Board
25	The board of directors shall have a strategic planning committee or assign its functions to another committee (other than the audit committee or the personnel and remuneration committee)		The Banks' Strategy and Capital Markets Committee of is established and carries out preliminary review of the issues before their submission for consideration to the Supervisory Board
26	The board of directors shall form a committee (audit committee) to nominate an external auditor and co-operate with such auditor and the corporate auditing commission		The Bank has in place the Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board which carries out preliminary review of the issues before their submission for consideration to the Supervisory Board
27	The audit committee shall only consist of independent and non-executive directors		As at 31 December 2013 the Audit and Risk Committee of the Supervisory Board of the Bank was composed of two independent directors, one of whom is the Chairman of the Committee, and the one non-Executive Director
28	The audit committee shall be chaired by an independent director		Under Clause 4.2. of the Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee is chaired by an independent director qualifying under the Bank's Charter criteria for independent directors

29	Corporate bylaws shall grant all members of the audit committee access to any corporate records and information subject to non-disclosure by them of any confidential information	✓	This is provided for by the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW and the Regulation on Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board
30	The board of directors shall form a committee (personnel and remuneration committee) to set out selection criteria for nominees to the board of directors and develop the corporate remuneration policy	✓	The Bank has in place the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board which carries out preliminary review of the issues before their submission for consideration to the Supervisory Board
31	The personnel and remuneration committee shall be chaired by an independent director	✓	Under Clause 4.1. of the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee is chaired by an independent director qualifying under the Bank's Charter criteria for independent directors
32	No corporate officers may be appointed to the personnel and remuneration committee	✓	Under Clause 4.2. of the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee is formed of members elected out of Supervisory Board members who are not members of the Bank's executive bodies
33	The board of directors shall form a risk management committee or assign its functions to another committee (other than the audit committee or the personnel and remuneration committee)	—	The Bank has in place the Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board






34	The board of directors shall form a committee for settlement of corporate conflicts or assign its functions to another committee (other than the audit committee or the personnel and remuneration committee)	✓	Any corporate conflicts are to be settled by the Compensation, Corporate Governance and Nominations Committee of the Bank's Supervisory Board
35	No corporate officers may be appointed to the committee for settlement of corporate conflicts	✓	Under Clause 4.1. of the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee is formed of members elected out of Supervisory Board members who are not members of the Bank's executive bodies
36	The committee for settlement of corporate conflicts shall be chaired by an independent director	✓	Under Clause 4.2. of the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee chaired by an independent director qualifying under the Bank's Charter criteria for independent directors
37	The board of directors shall approve corporate bylaws setting out the procedure of appointment and proceedings for its committees	✓	Regulations for all existing committees of CREDIT BANK OF MOSCOW's Supervisory Board have been developed and approved
38	The company's charter shall set out such quorum requirements for meeting of the board of directors as to ensure no meeting may be held without independent directors	—	There is no such provision in the Charter

## General Shareholders' Meeting



39	Any company shall have a management board		Clauses 12.1 and 12.51 of the Bank's Charter require the Management Board to be formed as a collective executive body
40	The charter or corporate bylaws shall require management board approval for real estate transactions and borrowings other than major transactions or in the ordinary course of business		This provision is not contained in the Charter or internal documents of the Bank
41	Corporate bylaws shall specify an approval procedure for any transactions beyond its business plan		Clauses 12.36.27 and 12.36.30 of the Bank's Charter
42	No competitor participants, director general (managing director), officers or employees may be in the executive bodies		Article 11.1 of the Law on Banks and Banking Activity directly prohibits members of any bank's executive bodies to hold any offices in any other credit or insurance organisations, stock market professional participants, leasing companies or affiliates of a credit institution
43	Anyone convicted of economic crimes or offence against the state, abuse of public or municipal office or penalised under administrative law for business, financial, tax or securities market malpractice may not serve in corporate executive bodies. This shall also apply to the director general and members of the board of any management company or any manager performing the functions of corporate sole executive body		This is controlled by the Bank of Russia as part of approving candidates to the management bodies of the Bank as set out in the Bank of Russia's Instruction No. 408-P

44	The charter or corporate bylaws shall prohibit the management company (manager) from providing similar services to any competitor or having any interest in the company other than through providing management services	—	Functions of the Bank's sole executive body have not been delegated to any management company
45	Corporate bylaws shall require executive bodies to refrain from any actions that will or might result in, and to disclose to the board of directors, any conflict of their own and corporate interests	—	Such provision is not contained in the internal documents of the Bank. Now this matter is dealt with according to applicable Russian legislation
46	The charter or corporate bylaws shall specify selection criteria for management company (manager)	—	Functions of the Bank's sole executive body have not been delegated to any management company
47	Executive bodies shall monthly report to the board of directors	—	According to the Charter and the Regulation on the Management Board and Chairman of the Management Board of CREDIT BANK OF MOSCOW, the Bank's executive bodies report to the General Shareholders' Meeting and Supervisory Board of the Bank. According to the Regulation on CREDIT BANK OF MOSCOW's Supervisory Board, Supervisory Board members may at any time request any information on the Bank's business
48	Contracts with director general (management company, manager) shall impose liability for misuse of confidential and internal information	✓	





## Corporate Secretary

- |    |   |   |  |
|----|---|---|--|
| 49 | An officer (corporate secretary) shall be appointed to ensure compliance by corporate bodies and officers with procedural requirements protecting shareholders' rights and lawful interests |  | The Charter of the Bank provides for the appointment of the Corporate Secretary of the Bank. Regulation of the Corporate Secretary is in place |
| 50 | The charter or corporate bylaws shall specify a procedure of appointing (electing), and duties of, corporate secretary  |  | Specified in the Regulation on the General Shareholders' Meeting and the Regulations on the Corporate Secretary of the Bank                    |
| 51 | The charter shall specify qualification requirements for corporate secretary  |  | Specified in the Regulation on the Corporate Secretary of the Bank   |


## Material Corporate Actions

- |    |   |   |  |
|----|---|---|--|
| 52 | The charter or corporate bylaws shall require prior approval of major transactions                            |  | Clauses 12.9.19 and 12.36.18 of the Bank's Charter   |
| 53 | An independent appraiser shall be engaged to assess market value of any assets subject of a major transaction |  | Under Art. 77 of the Federal Law "On Joint-Stock Companies", an independent appraiser is engaged where provided for by law |



- |    |   |   |   |
|----|---|---|---|
| 54 | The charter shall prohibit any actions, in case of acquisition of a major stake in the company (takeover), protecting interests of the executive bodies (and their members) and members of the board of directors or affecting shareholders' position (for instance, the board of directors shall be prohibited from authorising any issue of convertibles or options before expiry of the proposed acquisition period, even if otherwise so authorised by the charter) |    | The Bank's bylaws do not so require   |
| 55 | The charter shall require that an independent appraiser be engaged to assess the current market value of shares and possible post-takeover changes thereto  |    | The Bank's bylaws do not so require. Under Art. 77 of the Federal Law "On Joint-Stock Companies", an independent appraiser is engaged where provided for by law |
| 56 | The charter may not exempt the acquirer from offering shareholders to sell common shares (or emissive securities convertible thereto) held by them  |    |   |
| 57 | The charter or corporate bylaws shall require that an independent appraiser be engaged to assess the stock conversion rate in case of reorganisation  |  | The Bank's bylaws do not so require. This matter is regulated by the Russian law  |

### Disclosure

- |    |  |   |  |
|----|--|---|--|
| 58 | The board of directors shall approve bylaws setting out corporate rules of and approach to disclosure (Information Policy) |  | The Bank's Supervisory Board approved the information disclosure Policy in February 2014 |
|----|--|---|--|

59	Corporate bylaws shall require disclosure of the purposes of any stock issue, proposed acquirers of shares and large stakes, and whether any shares are to be purchased by senior officers	—	The Bank's Supervisory Board approved the information disclosure Policy in February 2014
60	Corporate bylaws shall specify a list of information, documents and records to be presented to shareholders with regard to the matters submitted to the General Shareholders' Meeting	✓	Such list is set out in the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW
61	A corporate web site shall be maintained and used for regular disclosure	✓	<a href="http://www.mkb.ru">www.mkb.ru</a> <a href="http://www.e-disclosure.ru/portal/company.aspx?id=202">www.e-disclosure.ru/portal/company.aspx?id=202</a>
62	Corporate bylaws shall require disclosure of any transactions with, or with any entities where 20 or more percent of the authorised capital is owned, directly or indirectly, by or which can be otherwise materially influenced by, senior officers	—	The Bank's bylaws do not so require. Disclosure is made in full compliance with the applicable Russian laws
63	Corporate bylaws shall require disclosure of any transactions which might affect the market value of shares	✓	Disclosure is made in full compliance with the applicable Russian laws. Such provision is not contained in the internal documents of the Bank
64	The board of directors shall approve bylaws regulating the use of material information on corporate operations, shares and other securities and deals therewith which information is not public and might, if disclosed, materially affect market value of the shares and other securities	✓	The Bank has adopted and implemented: — the Bank's Insider Information List; — Insider information access policy and rules for protecting its confidentiality and ensuring compliance with Federal Law № 224-FZ dated 27.07.2010 "On combating insider information abuse and market manipulation and on amending certain statutory acts of the Russian Federation" and relevant regulations

## Corporate Secretary

65

The board of directors shall approve procedures for internal control over corporate business activities



The Bank has the following documents approved: the Regulations on the Internal Audit and Control Division of the Bank; Regulation on the organization of internal control of the Bank; Regulation on monitoring of the Bank's internal control and other procedures approved by the Supervisory Board of the Bank.

The Internal Audit and Control Division operates under applicable Russian legislation and with reference to Recommendations on organising internal control in credit organisations prepared by Basel Committee on Banking Supervision

66

A special department shall be in place to ensure compliance with the internal control procedures (internal control service)



The Bank has in place:

- Audit Panel;
- Internal Audit and Control Division

67

Corporate bylaws shall require that the board of directors set out the structure and composition of the internal control service



1. The Audit Commission of the Bank is elected by the General Shareholders' Meeting in the order established by the Federal Law "On Joint-Stock Companies", the Bank's Charter, the Regulations on the General Shareholders' Meeting and the Regulation on the Audit Panel of the Bank.

2. The Structure of Internal Audit and Control Divisions is set by the Regulation on Internal Audit and Control Division approved by the Supervisory Board

68	Anyone convicted of economic crimes or offence against the state, abuse of public or municipal office or penalised under administrative law for business, financial, tax or securities market malpractice may not serve in the internal control service	✓	
69	No executives officers or competitor participants, director general (managing director), officers or employees may serve in the internal control service	✓	
70	Corporate bylaws shall specify the term for presentation to the internal control service of records and materials required to appraise a business operation, and responsibility of officers and employees for non-presentation thereof within such term	✓	Regulation on the Internal Audit and Control Divisions of CREDIT BANK OF MOSCOW requires submission of documents to the internal control subdivision for preliminary and current control as regards any deviations in decision making and risk assessing procedures
71	Corporate bylaws shall require the internal control service to report any identified irregularities to the audit committee, failing which the board of directors	✓	This is required by the Regulation on the Internal Audit and Control Divisions of the Bank
72	Corporate bylaws shall require the internal control service to appraise preliminarily any transactions beyond the corporate business plan (non-standard transactions)	—	
73	Corporate bylaws shall set out a procedure for approval of non-standard transactions by the board of directors	✓	Clause 12.36.27 of the Bank's Charter requires approval for any single transaction or series of related transactions to be made by the Bank outside of the ordinary course of its business and giving rise to an obligation for the Bank to pay amounts in excess of 5 per cent of its capital



- |    |  |   |  |
|----|--|---|--|
| 74 | The board of directors shall approve bylaws specifying a procedure for the audit of corporate business activities by the auditing commission | — | Under Art. 85 of the Federal Law “On Joint-Stock Companies”, the authority to approve any Audit Panel bylaws is reserved to the General Shareholders’ Meeting. The Regulation on the Audit Panel was approved by the General Shareholders’ Meeting |
| 75 | The audit committee shall review the auditor’s opinion before presentation thereof to the General Shareholders’ Meeting                      | ✓ | According to the Regulation on the Audit and Risk Committee of the Banks’ Supervisory Board  |

### Dividends

- |    |   |   |  |
|----|---|---|--|
| 76 | The board of directors shall approve bylaws regulating approval by it of recommendations as to the amount of dividends (Dividend Policy)  | — | Currently, this matter is regulated by law |
| 77 | The dividend policy shall specify a procedure for determining the minimum percentage of the corporate net profit distributable as dividends and conditions for non-payment or partial payment of dividends on preferred shares, the amount of which dividends is set out in the charter | — | See clause 76 above                        |
| 78 | Corporate dividend policy and amendments thereto shall be published in the periodical specified in the charter for publication of notices of General Shareholders’ Meetings, and on the corporate web site  | — | See clause 76 above                        |

## Annex 2. Transactions subject to approval

### Major Transactions

In 2013 the Bank did not make any major transactions within the meaning of article 78 of Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995.

In the reporting year the Bank made transactions required by its Charter to be approved like major transactions. Such transactions were approved by the Supervisory Board of the Bank.

Total number of transactions	Total value of transactions (RUB)
9	15,278,723,997

### Interested Party Transactions

In the reporting year the Bank made interested party transactions. Such transactions were approved by the Supervisory Board of the Bank.

Total number of transactions	Total value of transactions (USD)
2	900,000,000

## Annex 3. Consumption of resources by the Bank in 2013

Nº	Energy resource	In physical terms	In monetary terms (RUB)
1	Atomic energy	—	—
2	Thermal energy (Gcal)	4,725.863	6,933,880
3	Electric energy (kW)	4,162,157	17,397,816
4	Electromagnetic energy	—	—
5	Oil	—	—
6	Gasoline (l)	196,539.08	5,980,884.12
7	Diesel fuel (l)	1,557,982.86	45,049,863.69
8	Fuel oil	—	—
9	Natural gas	—	—
10	Coal	—	—
11	Oil shales	—	—
12	Peat	—	—
13	Other (specify if any)	—	—

## Statements under RAS





Auditor's Report

OPINION

In our opinion, the accounting (financial) statements present fairly, in all material respects, the financial position of CREDIT BANK OF MOSCOW as at January 01, 2014, its financial performance and its cash flows in 2013 in accordance with Russian accounting (financial) reporting rules.

**Opinion required by Article 42 of Federal Law No. 395-I "On Banks and Banking Activities" dated December 2, 1990 (as amended and supplemented).**

Based on the audit procedures performed, we note that, as of January 01, 2014:

- we have not found any evidence of CREDIT BANK OF MOSCOW's non-compliance with the mandatory ratios promulgated by the Bank of Russia's Instruction No. 139-I "On Mandatory Bank Ratios" dated December 03, 2012 as at the reporting dates within 2013;
- we have not found any evidence of CREDIT BANK OF MOSCOW's management quality being inadequate to the nature and scale of its operations at the present stage of the Russian banking sector's development;
- we have not found any evidence of CREDIT BANK OF MOSCOW's internal control system being inadequate to the nature and scale of its operations.

OTHER INFORMATION

As stated in the explanatory note, CREDIT BANK OF MOSCOW's management decided to publish it as part of the accounting (financial) statements in printed media in accordance with the Bank of Russia's Guidelines No. 3081-U "On Disclosure by Credit Organisations of Their Activities" dated October 25, 2013.

Please note that this audit opinion on the attached accounting (financial) statements must be considered together with all reporting forms and the explanatory note which form integral parts of the accounting (financial) statements. The complete accounting (financial) statements including all reporting forms and the explanatory note will be posted on the credit organisation's web site [www.mkb.ru](http://www.mkb.ru) used by it for disclosures.

The attached accounting (financial) statements are not intended to present the financial condition and performance according to accounting principles and methods generally accepted in countries or other political entities other than the Russian Federation. Therefore, they are not intended for anyone unfamiliar with accounting principles, procedures and methods accepted in the Russian Federation.



Auditor's Report

**Annexes:** CREDIT BANK OF MOSCOW'S accounting (financial) statements for the period from 1 January to 31 December 2013 on 72 pages:

- 1) Balance Sheet as of January 01, 2014 on 2 pages;
- 2) Report on Financial Results for 2013 on 2 pages;
- 3) Cash Flow Statement for 2013 on 2 pages;
- 4) Report on Capital Adequacy, Provisions for Doubtful Loans and Other Assets as of January 01, 2014 on 2 pages;
- 5) Statement of Mandatory Ratios as of January 01, 2014 on 1 page;
- 6) Explanatory Note to the 2013 accounting statements on 63 pages.

March 27, 2014

Head of Banking Unit  
Audit Services Department

[RBS's seal] [signature]

S.E. Bykova

acting under power of attorney  
No. 18/3 dated January 09, 2014  
(qualification certificate No. 03-000437 dated  
04.12.2012 for an indefinite term)



Banking Statements		
Code of territory by OKATO	Code of credit institution (branch)	
	by OKPO	Registration number (serial number)
45	09318941	1978

BALANCE SHEET  
(published form)  
as of 01.01.2014

of the Credit Institution:  
CREDIT BANK OF MOSCOW (open joint-stock company)  
/ CREDIT BANK OF MOSCOW  
Mailing Address:  
2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409806  
Quarterly (Annual)  
(RUB '000)

No.	Item	As at reporting date	As at corresponding reporting date of previous year
1	2	3	4
<b>I. ASSETS</b>			
1	Cash	10 312 841	10 828 487
2	Placements with Central Bank of the Russian Federation	16 522 630	9 951 773
2.1	Mandatory reserves	2 798 987	2 545 772
3	Placements with financial institutions	5 175 607	6 265 575
4	Net investment in securities at fair value through profit or loss	34 759 738	25 196 238
5	Net loans to customers	350 555 351	238 849 175
6	Net investment in securities and other financial assets available for sale	16 820 335	9 912 111
6.1	Investment in affiliated organisations	310 126	0
7	Net investment in investment securities held to maturity	0	0
8	Premises and equipment, intangible assets and inventories	5 850 023	5 867 825
9	Other assets	5 841 444	3 123 942
10	Total assets	445 837 969	309 968 126
<b>II. LIABILITIES</b>			
11	Loans, deposits and other funds of the Central Bank of the Russian Federation	14 547 167	0
12	Amounts due to credit institutions	19 857 159	23 991 976
13	Customer accounts (non-credit institutions)	314 456 313	212 391 211
13.1	Deposits of individuals	133 142 464	105 735 676
14	Financial liabilities at fair value through profit and loss	825	0
15	Debt securities in issue	48 335 118	40 953 680
16	Other liabilities	6 131 432	3 756 800
17	Off-shore zone residents	2 574 076	657 505
18	Total liabilities	405 902 060	281 751 172
<b>III. EQUITY</b>			
19	Funds of shareholders (partners)	14 467 762	12 677 833
20	Treasury shares	0	0
21	Share premium	9 768 757	4 023 086
22	Reserve funds	4 313 214	4 313 214
23	Revaluation at fair value of securities available for sale	-24 252	88 482
24	Revaluation of premises and equipment	1 738 359	1 738 397
25	Undistributed profit of past years (prior year losses)	5 403 981	239 688
26	Unused profit (loss) for the reporting period	4 268 058	5 164 264
27	Total equity	39 935 879	28 244 954
<b>IV. OFF-BALANCE LIABILITIES</b>			
28	Irrevocable commitments of credit institution	26 588 704	29 268 873
29	Guarantees and sureties issued by credit institution	70 165 589	40 586 746
30	Non-credit contingencies	225 573	216 175

Chairman of the Management Board

[signature]

V.A. Chubar

Chief Accountant

[CBM's seal]  
[signature]

S.V. Sass

10 February 2014

Banking Statements		
Code of territory by OKATO	Code of credit institution (branch)	
	by OKPO	Registration number (serial number)
45	09318941	1978

CASH FLOW STATEMENT  
(published form)  
for 2013

of the Credit Institution:  
CREDIT BANK OF MOSCOW (open joint-stock company)  
/ CREDIT BANK OF MOSCOW  
Mailing Address:  
2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409814  
Annual  
RUB '000

No.	Item	Cash flows for the reporting period	Cash flows for the previous reporting period
1	2	3	4
<b>Net cash from/used in operating activities</b>			
1.1	Cash from/used in operating activities before changes in operating assets and liabilities, total, including:	16 197 359	5 718 305
1.1.1	Interest received	40 188 084	28 099 001
1.1.2	Interest paid	-22 754 518	-16 132 987
1.1.3	Commissions received	6 265 813	3 611 694
1.1.4	Commissions paid	-1 006 091	-720 761
1.1.5	Gains less losses from trading in financial assets at fair value through profit or loss available for sale	703 314	-847 125
1.1.6	Gains less losses from trading in securities held to maturity	-29 856	6 224
1.1.7	Gains less losses from trading in foreign currencies	277 922	-862 260
1.1.8	Other operating income received	2 785 222	1 134 043
1.1.9	Operating expense paid	-8 139 061	-6 472 694
1.1.10	Expense/refund on income tax paid	-2 073 430	-2 086 830
1.2	Increase/decrease in net cash from operating assets and liabilities, total, including:	-12 762 874	2 744 612
1.2.1	Net increase/decrease in mandatory reserves with the Bank of Russia	-253 215	-286 602
1.2.2	Net increase/decrease in trading in securities at fair value through profit or loss	-8 286 682	-1 179 245
1.2.3	Net increase/decrease in loans to customers	-112 717 029	-87 853 681
1.2.4	Net increase/decrease in other assets	-2 063 473	-53 899
1.2.5	Net increase/decrease in loans, deposits and other funds of the Bank of Russia	14 347 167	0
1.2.6	Net increase/decrease in due to other banks	-5 930 216	12 893 734
1.2.7	Net increase/decrease in customer accounts (non-credit institutions)	84 687 798	51 347 491
1.2.8	Net increase/decrease in financial liabilities at fair value through profit or loss	7 299 964	7 758 892
1.2.9	Net increase/decrease in promissory notes issued	825	0
1.2.10	Net increase/decrease in other liabilities	-48 013	117 922
1.3	Total for Section 1 (items 1.1 + item 1.2)	3 434 485	8 462 917
2	Net cash from/used in investment activities	0	0
2.1	Purchase of securities and other financial assets classified as available for sale	-21 450 805	-19 433 613
2.2	Proceeds from sale and repayment of securities and other financial assets classified as available for sale	15 083 237	11 937 597
2.3	Purchase of securities classified as held to maturity	0	0
2.4	Proceeds from sale of securities classified as held to maturity	0	0
2.5	Purchase of premises and equipment, intangible assets and material assets	-391 420	-556 886
2.6	Proceeds from sale of premises and equipment, intangible assets and material assets	12 654	14 814
2.7	Dividends received	0	481
2.8	Total for Section 2 (sum of items 2.1 to 2.7)	-6 746 334	-8 037 607
3	Net cash from/used in financing activities	7 535 600	5 762 076
3.1	Contributions of shareholders (partners) to charter capital	0	0
3.2	Purchase of treasury shares	0	0
3.3	Sale of treasury shares	0	0
3.4	Dividends paid	0	0
3.5	Total for Section 3 (sum of items 3.1 to 3.4)	7 535 600	5 762 076
4	Effect of changes in official exchange rates or foreign currencies to rouble set by the Bank of Russia on cash and cash equivalents	482 840	-188 139
5	Increase in use of cash and cash equivalents	4 706 591	5 999 247
5.1	Cash and cash equivalents at the beginning of the reporting year	24 491 353	18 492 106
5.2	Cash and cash equivalents at the end of the reporting year	29 197 944	24 491 353

Chairman of the Management Board

[signature]

V.A. Chubar

Chief Accountant

[CBM's seal]  
[signature]

S.V. Sass

10 February 2014

Banking Statements		
Code of territory by OKATO	Code of credit institution (branch) by OKPO Registration number (serial number)	
45	0931841	1978

Report on Financial Results (published form)  
for 2013

of the Credit Institution:  
CREDIT BANK OF MOSCOW (open joint-stock company)  
/ CREDIT BANK OF MOSCOW  
Mailing Address:  
2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409807  
Quarterly (Annual)  
RUB '000

No.	Item	At reporting date	At corresponding reporting date of previous year
1	2	3	4
1	Total interest income, including:	41 324 192	28 646 966
1.1	Interest on placements with credit institutions	1 128 986	607 792
1.2	Interest on loans to other customers (non-credit institutions)	36 985 155	25 358 536
1.3	Interest on services under finance lease	0	0
1.4	Interest on securities portfolio	3 210 051	2 680 638
2	Total interest expense, including:	24 861 765	15 979 925
2.1	Interest on funds borrowed from credit institutions	1 154 780	980 127
2.2	Interest on customer accounts (non-credit institutions)	19 659 696	12 117 438
2.3	Interest on debt securities issued	4 047 289	2 882 360
3	Net interest income (negative interest margin)	16 462 427	12 667 041
4	Movement in provision for possible losses on loans, loan and similar debt, funds placed on corresponding accounts and interest income accrued, total, including:	-7 349 706	-2 476 522
4.1	Movement in provision for possible losses on interest income accrued	-157 489	-32 984
5	Net interest income (negative interest margin) after provisioning for possible losses	9 112 721	10 190 519
6	Net income from operations with securities at fair value through profit and loss	263 240	234 006
7	Net income from operations with securities available for sale	48 559	41 423
8	Net income from operations with securities held to maturity	-29 856	6 224
9	Net income from operations with foreign currencies	277 922	862 260
10	Net income from revaluation of foreign currencies	-173 838	800 903
11	Income from shareholding in other legal entities	971	481
12	Commission income	6 265 815	3 611 604
13	Commission expense	1 008 091	720 761
14	Movement in provision for possible losses on securities available for sale	0	5 765
15	Movement in provision for possible losses on securities held to maturity	0	0
16	Movement in provision for other losses	-2 439 581	-253 709
17	Other operating incomes	2 800 967	1 025 451
18	Net income (expense)	15 120 827	14 079 736
19	Operating expenses	8 560 152	6 787 421
20	Profit (loss) before taxation	6 560 675	7 292 315
21	Tax charged (paid)	2 292 617	2 128 081
22	After-tax profit (loss)	4 268 058	5 164 234
23	Payments out of after-tax income, total, including:	0	0
23.1	Distribution among shareholders (partners) in the form of dividends	0	0
23.2	Deductions for formation and replenishment of the reserve funds	0	0
24	Unused profit (loss) for the reporting period	4 268 058	5 164 234

Chairman of the Management Board (signature) V.A. Chubar

Chief Accountant (CBM's seal) (signature) S.V. Sass

10 February 2014

Banking Statements		
Code of territory by OKATO	Code of credit institution (branch) by OKPO Registration number (serial number)	
45	0931841	1978

Report on capital adequacy and provisions  
for doubtful loans and other assets  
(published form)  
as of 01.01.2014

of the Credit Institution:  
CREDIT BANK OF MOSCOW (open joint-stock company)  
/ CREDIT BANK OF MOSCOW

Mailing Address:  
2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409808  
Quarterly (Annual)

No.	Item	As at beginning of the reporting year	Increase (+)/ decrease (-) for the reporting period	As at reporting date
1	2	3	4	5
1	Equity (capital) (in RUB'000), total, including:	39972382.0	18 243 594	58215956.0
1.1	Charter capital of the credit institution, including:	12677833.0	1 789 929	14467762.0
1.1.1	Nominal value of registered ordinary shares (stakes)	12677833.0	1 789 929	14467762.0
1.1.2	Nominal value of registered preference shares	0.0	0	0.0
1.2	Treasury shares	0.0	0	0.0
1.3	Share premium	4023086.0	5 745 671	9768757.0
1.4	Reserve funds	4313214.0	0	4313214.0
1.5	Profit or loss from activity taken into consideration for equity (capital) calculation:	5455919.0	4 054 203	9510122.0
1.5.1	of past years	292967.0	5 103 213	5399180.0
1.5.2	for the reporting year	5162952.0	-1 049 010	4113942.0
1.6	Intangible assets	3.0	927	930.0
1.7	Subordinated debt (loan, deposit, bond issue)	11783916.0	6 964 853	18728769.0
1.8	Equity (portion of equity) formed by investors with the use of improper assets	0.0	0	0.0
2	Normative value of capital adequacy ratio (capital) (per cent)	10.0	X	10.0
3	Actual value of capital adequacy ratio (capital) (per cent)	13.0	X	11.8
4	Provision for possible losses actually recorded (RUB'000), total, including:	14549239.0	9 656 029	24205268.0
4.1	on loans, loan and similar debt	13284887.0	7 701 597	20986584.0
4.2	on other assets exposed to risk of losses and other losses	606747.0	88 531	695278.0
4.3	on off-balance sheet credit related commitments and forwards	569186.0	1 820 839	2390035.0
4.4	for settlements with off-shore zone residents	88309.0	45 062	133371.0

For reference only:

- Buildup (additional charge) of the provision for possible losses on loans, loan and similar debt in the reporting period (RUB'000), total 63174626, including as a result of:
  - issue of loans 43877922;
  - changes in quality of loans 14006330;
  - changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 2039182;
  - other reasons 3251192;
- Recovery (reduction) of the provision for possible losses on loans, loan and similar debt in the reporting period (RUB'000), total 55473028, including as a result of:
  - write-off of irrecoverable loans 0;
  - repayment of loans 37130948;
  - changes in quality of loans 11301554;
  - changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 1662871;
  - other reasons 5377656.

Chairman of the Management Board (signature) V.A. Chubar

Chief Accountant (CBM's seal) (signature) S.V. Sass

10 February 2014

Code of territory by OKATO	Banking Statements Code of credit institution (branch) by OKPO	
	Registration number (/serial number)	
45	09318941	1978

STATEMENT OF MANDATORY RATIOS  
(published form)  
as of 01 January 2014

of the Credit Institution:  
CREDIT BANK OF MOSCOW (open joint-stock company)  
/ CREDIT BANK OF MOSCOW

Mailing Address: 2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409813  
Annual  
percent

No.	Item	Regulatory value	Actual value			
			As at reporting date		As at corresponding reporting date of previous year	
1	2	3	4		5	
1	Capital adequacy ratio (N1)	10.0	11.8		13.0	
2	Capital adequacy ratio of non-bank settlement credit institution which can make money transfers without opening bank accounts, and related banking transactions (N1.1)					
3	Instant liquidity ratio (N2)	15.0	67.4		105.5	
4	Current liquidity ratio (N3)	50.0	124.2		147.3	
5	Long term liquidity ratio (N4)	120.0	65.6		56.9	
6	Maximum exposure to single borrower or a group of related borrowers (N6)	25.0	Maximum	17.2	Maximum	17.2
7	Maximum amount of major credit risks (N7)	800.0	Minimum	1.3	Minimum	0.9
8	Maximum amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) (N9.1)	50.0	0.0		0.0	
9	Aggregate exposure to the bank's insiders (N10.1)	3.0	1.3		2.1	
10	Ratio for the use of a bank's own funds (capital) to acquire shares (participation interest) in other legal entities (N12)	25.0	0.0		0.0	
11	Ratio of total liquid assets with terms of the nearest 30 calendar days to total liabilities of non-bank settlement credit institution (N15)	-	-		-	
12	Liquidity ratio of non-bank settlement credit institutions which can make money transfers without opening bank accounts, and related banking transactions (N15.1)	-	-		-	
13	Ratio of maximum aggregate amount of loans to customers-participants of settlements for completion of settlements (N16)	-	-		-	
14	Ratio of provision of loans by settlement non-bank credit institution on its behalf and at its expense to borrowers, other than customers-participants of settlements (N16.1)	-	-		-	
15	Minimum ratio of issued mortgage loans to a bank's own funds (capital) (N17)	-	-		-	
16	Minimum ratio of the amount of the "mortgage coverage" to the amount of issued mortgage-backed bonds (N18)	-	-		-	
17	Maximum ratio of the aggregate amount of a bank's liabilities to creditors having a priority right to satisfy their claims, to the bank's own funds (capital) (N19)	-	-		-	

Chairman of the Management Board

[signature]

V.A. Chubar

Chief Accountant

[CBM's seal]  
[signature]

S.V. Sass

10 February 2014

## Statements under IFRS



ZAO KPMG  
10 Priblenskaya Naberezhnaya  
Moscow, Russia 123317

Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet www.kpmg.ru

### Auditors' Report

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (open joint-stock company)

We have audited the accompanying consolidated financial statements of CREDIT BANK OF MOSCOW (open joint-stock company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Credit Bank of Moscow (open joint-stock company)

Registered by the Central Bank of the Russian Federation on 18 August 1993. Registration No. 1978.

Entered in the Unified State Register of Legal Entities on 18 November 2007 by the Department of Federal Tax Service. Registration No. 1027736550287. Certificate series 77 No. 004840877.

Address of audited entity: 2 Bldg. 11, Lukov pereulok, Moscow, Russia, 101445.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1997. Registration No. 011565.

Included in the Unified State Register of Legal Entities on 13 August 2007 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation. Registration No. 1027700126678. Certificate series 77 No. 00571432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organizations: No. 10301000804.



Auditor's Report  
Page 2

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

  
Kolosov A.E.  
Director

Power of attorney dated 3 October 2011 No. 37/11

ZAO KPMG

Moscow, Russian Federation

12 March 2014

*CREDIT BANK OF MOSCOW (open joint-stock company)*  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income*  
*for the year ended 31 December 2013*

	Notes	31 December 2013 RUB'000	31 December 2012 RUB'000
Interest income	4	42 012 905	28 466 331
Interest expense	4	(24 632 660)	(16 224 968)
<b>Net interest income</b>	4	<b>17 380 245</b>	<b>12 241 363</b>
Provision for impairment of loans	13	(5 498 815)	(1 864 717)
<b>Net interest income after provision for impairment of loans</b>		<b>11 881 430</b>	<b>10 376 646</b>
Fee and commission income	5	7 205 235	4 283 129
Fee and commission expense	5	(779 625)	(428 053)
Net gain on financial instruments at fair value through profit or loss		59 075	353 703
Net realized gain on available-for-sale assets		18 686	14 704
Net foreign exchange gains (losses)		407 456	(385 136)
State deposit insurance scheme contributions		(490 583)	(370 287)
Other operating income, net		738 629	243 007
<b>Non-interest income</b>		<b>7 158 873</b>	<b>3 711 067</b>
<b>Operating income</b>		<b>19 040 303</b>	<b>14 087 713</b>
Salaries and employment benefits	6	(4 468 191)	(3 513 896)
Administrative expenses	6	(2 723 215)	(2 630 010)
Depreciation of property and equipment	14	(470 891)	(407 903)
Other provisions	7	(184 177)	(288 856)
<b>Operating expense</b>		<b>(7 846 474)</b>	<b>(6 840 665)</b>
<b>Profit before income taxes</b>		<b>11 193 829</b>	<b>7 247 048</b>
Income tax	8	(2 313 766)	(1 469 166)
<b>Profit for the period</b>		<b>8 880 063</b>	<b>5 777 882</b>

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

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*CREDIT BANK OF MOSCOW (open joint-stock company)*  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income*  
*for the year ended 31 December 2013*

	Notes	31 December 2013 RUB'000	31 December 2012 RUB'000
<b>Profit for the period</b>		<b>8 880 063</b>	<b>5 777 882</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Revaluation reserve for buildings		-	769 380
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale securities			
- Net change in fair value		(44 329)	131 726
- Net change in fair value transferred to profit or loss		(22 796)	(45 379)
Income tax related to other comprehensive income		13 425	(171 145)
<b>Other comprehensive (loss) income for the year, net of tax</b>		<b>(53 700)</b>	<b>684 582</b>
<b>Total comprehensive income for the year</b>		<b>8 826 363</b>	<b>6 462 464</b>
<b>Basic earnings per share (in RUB per share)</b>	33	<b>0.68</b>	<b>0.51</b>

Chairman of the Management Board

Vladimir A. Chubar

Chief Accountant

Svetlana V. Sass



The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

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CREDIT BANK OF MOSCOW (open joint-stock company)  
Consolidated Statement of Financial Position  
as at 31 December 2013

	Notes	31 December 2013 RUB'000	31 December 2012 RUB'000
<b>ASSETS</b>			
Cash and cash equivalents	9	67 064 920	47 459 075
Obligatory reserves with the Central Bank of the Russian Federation		2 798 987	2 545 771
Due from credit institutions	10	10 466 017	12 520 791
Financial instruments at fair value through profit or loss	11	37 412 185	31 684 816
Available-for-sale securities	12	18 533 564	5 447 594
Loans to customers	13	308 940 610	201 234 522
Property and equipment	14	6 079 029	6 079 620
Goodwill	32	301 089	-
Other assets	15	2 605 717	1 755 195
<b>Total assets</b>		<b>454 202 118</b>	<b>308 727 385</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits by the Central Bank of the Russian Federation	16	14 566 171	-
Deposits by credit institutions	17	24 398 112	35 183 733
Deposits by customers	18	274 872 004	189 014 104
Debt securities issued	19	84 553 516	40 013 790
Deferred tax liability	8	1 880 127	2 608 594
Current tax liability	8	196 917	125 817
Other liabilities	20	3 077 224	2 489 054
<b>Total liabilities</b>		<b>403 544 071</b>	<b>269 438 092</b>
<b>Equity</b>			
Share capital	21	15 329 692	13 539 763
Additional paid-in capital		9 768 757	9 019 295
Revaluation surplus for buildings		1 115 928	1 115 928
Revaluation reserve for available-for-sale securities		(37 639)	16 061
Retained earnings		24 481 309	15 601 246
<b>Total equity</b>		<b>50 658 047</b>	<b>39 292 293</b>
<b>Total liabilities and equity</b>		<b>454 202 118</b>	<b>308 727 385</b>

Commitments and Contingencies

22-24

Chairman of the Management Board

Vladimir A. Chubar

Chief Accountant

Svetlana V. Sass



The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

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CREDIT BANK OF MOSCOW (open joint-stock company)  
Consolidated Statement of Cash Flows  
for the year ended 31 December 2013

Notes	31 December 2013 RUB'000	31 December 2012 RUB'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the period</b>	<b>8 880 063</b>	<b>5 777 882</b>	
Out of which:			
- Interest income received	41 103 313	29 020 623	
- Interest expense paid	(16 328 369)	(16 328 369)	
- Income tax paid	(1 707 078)	(1 120 573)	
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for impairment of loans	13	5 498 815	1 864 717
Depreciation and amortization		471 001	408 007
Deferred taxation	8	534 010	1 910
Revaluation of financial instruments at fair value through profit or loss		(102 428)	(693 185)
Provision for impairment of other assets and credit related commitments	7	184 177	288 856
Change in accrued interest income		(909 592)	554 292
Change in accrued interest expense		2 184 346	125 671
Other		124 041	(76 257)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>16 864 433</b>	<b>8 251 893</b>	
<b>(Increase) decrease in operating assets</b>			
Obligatory reserves with the Central Bank of the Russian Federation	(253 215)	(286 602)	
Due from credit institutions	2 041 014	(7 501 432)	
Financial instruments at fair value through profit or loss	(5 390 966)	(8 267 817)	
Loans to customers	(110 006 159)	(47 401 634)	
Other assets	(994 428)	(495 664)	
<b>Increase (decrease) in operating liabilities</b>			
Deposits by the Central Bank of the Russian Federation	14 566 171	-	
Deposits by credit institutions	(1 489 466)	7 554 193	
Deposits by customers	84 633 748	44 767 553	
Promissory notes	(1 497 313)	1 628 721	
Other liabilities	422 476	(21 910)	
<b>Net cash used in operations</b>	<b>(1 103 705)</b>	<b>(1 772 699)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net purchase of available-for-sale securities	(13 010 970)	(3 369 770)	
Net purchase of property and equipment and intangible assets	(572 730)	(612 644)	
Net payment on acquisition of subsidiary	32	(99 180)	-
<b>Net cash used in investing activities</b>	<b>(13 682 880)</b>	<b>(3 982 414)</b>	

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

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CREDIT BANK OF MOSCOW (open joint-stock company)  
Consolidated Statement of Cash Flows  
for the year ended 31 December 2013

Notes	31 December 2013 RUB'000	31 December 2012 RUB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	7 535 600	5 762 075
Proceeds from subordinated deposits	-	1 316 216
Repayment of subordinated deposits	(7 393 842)	(625 076)
Proceeds from syndicated borrowings	-	9 493 638
Repayment of syndicated borrowings	(9 580 768)	(4 360 792)
Proceeds from issuance of subordinated bonds	17 722 171	3 000 000
Proceeds from issuance of other bonds	26 071 484	8 122 989
Repayment of other bonds	(856 101)	(3 602 205)
<b>Net cash from financing activities</b>	<b>33 498 544</b>	<b>19 106 845</b>
<b>Effect of exchange rates changes on cash and cash equivalents</b>		
	893 886	(326 076)
<b>Change in cash and cash equivalents</b>	<b>19 605 845</b>	<b>13 025 656</b>
Cash and cash equivalents, beginning of the period	47 459 075	34 433 419
<b>Cash and cash equivalents, end of the period</b>	<b>67 064 920</b>	<b>47 459 075</b>

Chairman of the Management Board

Vladimir A. Chubar

Chief Accountant

Svetlana V. Sass



The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

9

CREDIT BANK OF MOSCOW (open joint-stock company)  
Consolidated Statement of Changes in Equity  
for the year ended 31 December 2013

	Share capital	Additional paid-in capital	Revaluation surplus for buildings	Revaluation reserve for available-for-sale	Retained earnings	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
<b>1 January 2012</b>	<b>11 638 088</b>	<b>3 699 047</b>	<b>500 424</b>	<b>(53 017)</b>	<b>9 823 364</b>	<b>25 607 906</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>615 504</b>	<b>69 078</b>	<b>5 777 882</b>	<b>6 462 464</b>
Transactions with owners, recorded directly in equity						
Shares issued	1 901 675	3 860 400	-	-	-	5 762 075
Contribution from the majority shareholder (net of deferred tax of RUB 364 962 thousand) (note 21)	-	1 459 848	-	-	-	1 459 848
<b>Total transactions with owners, recorded directly in equity</b>	<b>1 901 675</b>	<b>5 320 248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 221 923</b>
<b>31 December 2012</b>	<b>13 539 763</b>	<b>9 019 295</b>	<b>1 115 928</b>	<b>16 061</b>	<b>15 601 246</b>	<b>39 292 293</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53 700)</b>	<b>8 880 063</b>	<b>8 826 363</b>
Transactions with owners, recorded directly in equity						
Shares issued (note 21)	1 789 929	5 745 671	-	-	-	7 535 600
Repayment of subordinated loans to the majority shareholder (net of deferred tax of RUB 1 249 052 thousand) (note 21)	-	(4 996 209)	-	-	-	(4 996 209)
<b>Total transactions with owners, recorded directly in equity</b>	<b>1 789 929</b>	<b>749 462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 539 391</b>
<b>31 December 2013</b>	<b>15 329 692</b>	<b>9 768 757</b>	<b>1 115 928</b>	<b>(37 639)</b>	<b>24 481 309</b>	<b>50 658 047</b>

Chairman of the Management Board

Vladimir A. Chubar

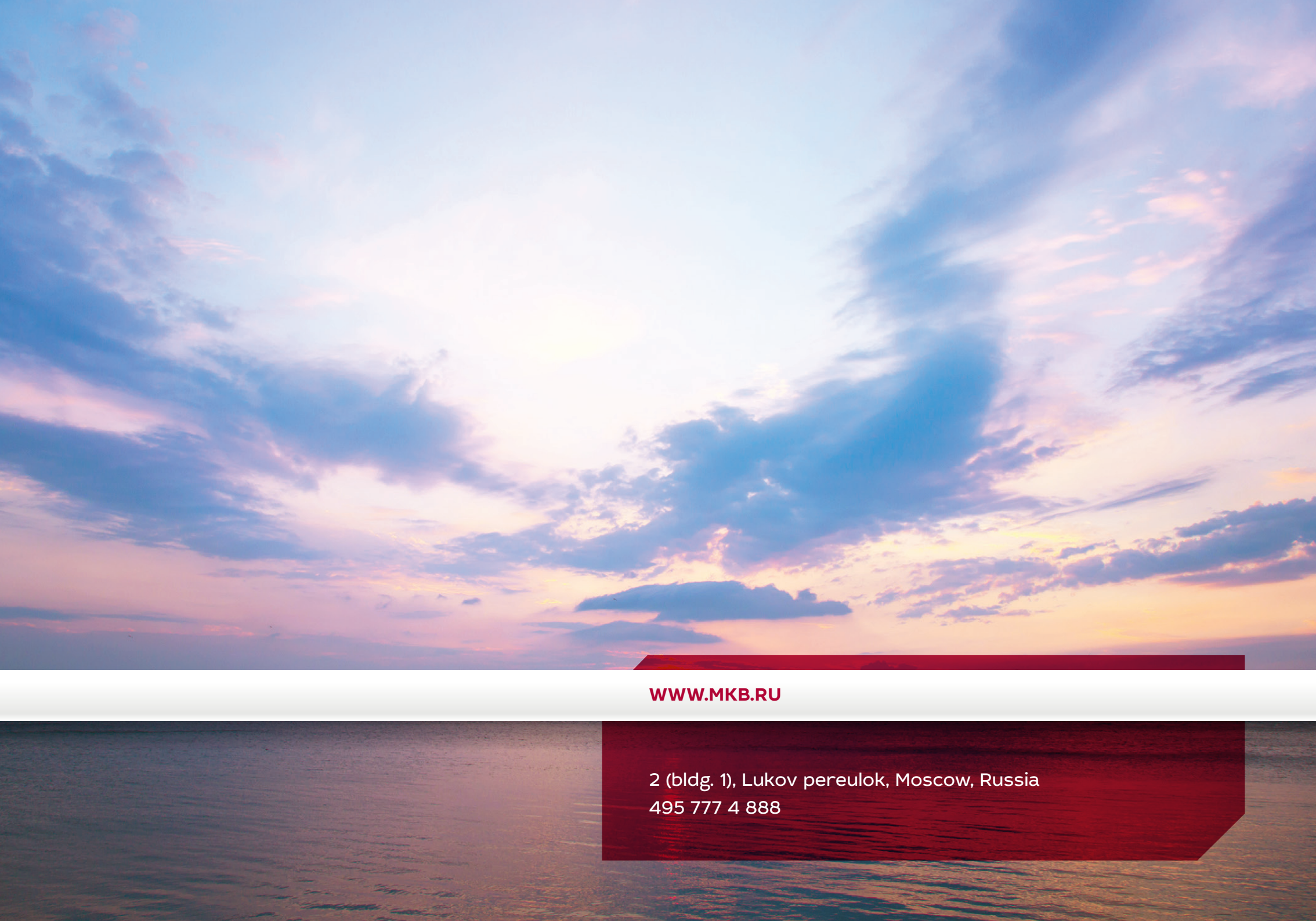
Chief Accountant

Svetlana V. Sass



The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

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