

PRESS RELEASE

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CREDIT BANK OF MOSCOW'S 2011 IFRS net income up by 28.6% compared to 2010, at RUB 3,886 mln.

The Bank has summed up its 2011 performance under the international financial reporting standards (IFRS).

Key results

- CREDIT BANK OF MOSCOW'S 2011 IFRS net income grew 28.6% compared to 2010 and amounted to RUB 3,886 mln (\$132.2 mln).
- The Bank's assets rose 40.4% by the year-end reaching RUB 232,371 mln (\$7,217.4 mln).
- The loan portfolio expanded by 53.1% yoy to RUB 159,020 mln (\$4,939.1 mln).
- NPL ratio (loans overdue more than 90 days) decreased to 1.1% as at YE 2011 from 1.5% as at YE 2010, loan loss provisions are 2.3% of the total portfolio.
- The cost-to-income ratio steadily remains at a low level being 39.8% as at YE 2011.
- The Bank shows strong profitability with 19.7% return on equity and 2.0% return on assets.
- The equity soared 86,0% yoy up to RUB 25,608 mln (\$824.5 mln).
- Capital calculated under the Basel Accord increased 44.6% in 2011 reaching RUB 29,480 mln (\$914.7 mln), the capital adequacy ratio being 14.4%.

Assets grew by 40.4% yoy to RUB 232.37 bln. The *Interfax-100. Banks of Russia. Key performance indicators 2011*, lists CREDIT BANK OF MOSCOW as number 21 by assets (compared to number 26 in 2010 ranking).

The Bank's net income reached RUB 3,886 bln as of 2011 exceeding by 28.6% its 2010 net income (RUB 3,021 bln). Return on equity (**ROAE**) lowered from 24.4% to 19.7% and return on assets (**ROAA**) from 2.4% to 2.0%. This reduction was mainly attributable to the unrealised loss from the securities portfolio revaluation against the backdrop of unfavourable situation in the financial markets in 2H 2011 and exacerbated volatility.

Operational income increased by 28.3% compared to 2010 reaching RUB 10.6 bln. Despite the significant growth of operational expenses (49.0%) driven by the development of the Bank's infrastructure, **operational performance** in 2011 remains at a traditionally high level: cost-to-income (CTI) ratio was 39.8% against 34.3% the year before. Net of financial result from securities portfolio, operational income grew by 45.6% and CTI ratio slightly increased from 36.2% to 37.0%.

Net interest income soared 43.8% to RUB 8.724 bln driven by loan portfolio expansion of 53.1%, while the **interest margin** slightly tightened (5.0% in 2011 vs. 5.6% in 2010).

At the same time, loan portfolio quality improved. **Overdue loans ratio** dropped, as compared to 2010, from 2.0% to 1.6%, the ratio of NPLs (loans overdue more than 90 days) fell from 1.5% to 1.1%. The LLP/NPL ratio grew from 171.6% to 208.6%.

The Bank's fee income rose 54.6% compared to 2010 reaching RUB 2.719 bln, of which 27.6% was earned by the cash collection services.

According to a survey by Interfax-CEA in July 2011, CREDIT BANK OF MOSCOW is number 3 in the metropolitan cash collection market and ranks the 4th largest cash collector in Russia. Apart from servicing its own network and clients, the Bank also provides cash collection services to other financial institutions and their clients. In 2011, the number of cash collection points rose by 1730 and reached the total of 6483. Twenty six new collection itineraries were put in place bringing their total number to 122.

Maintaining its leading position in the cash collection market, the Bank actively develops other fee businesses: guarantee and letter of credit issuance fees contribute 19.6% of the fee income, an 8% growth in 2011, payment service fees increased by 66.6%, and bank card fees by 134.1%.

The Bank's loan portfolio after impairment provisions expanded by 53.1% in 2011 and reached RUB 159.0 bln as of the reporting date. The corporate loan portfolio grew by 50.8% to RUB 130.2 bln and the retail loan portfolio by 64.3% to RUB 28.8 bln, with the general purpose consumer loan portfolio and POS loans having more than tripled from RUB 4.9 bln to RUB 15,2 bln.

The Bank rose to the 19th spot in RBC Rating's *Top-500 banks by loan portfolio* as of 1 January 2012 (from the 21th place in 2010). As of HY2011, CREDIT BANK OF MOSCOW was 13th in the ranking of banks by origination of cash loans and POS loans (*Expert RA*).

In 2011, the Bank remained active in **trade and structured finance**. The transaction volume in that period more than doubled compared to 2010 and reached \$822 mln. During the year, CREDIT BANK OF MOSCOW facilitated more than 450 transactions involving parties from 25 countries of the world. **The securities portfolio** amounted to RUB 24.8 bln in 2011. The bulk of investments were made in highly liquid securities from the CBR's Lombard List - 83.0% of the securities portfolio as of end-2011, major part of which was formed by government and municipal bonds – 60.1%.

Retail accounts and deposits rose by 68.3% to RUB 85.369 bln (41.3% of the total liabilities). In particular, term deposits increased by 68.2% to RUB 80.5 bln.

The Bank rose to the 14th spot in RBC Rating's *Top-500 banks by retail deposits as of 1 January 2012* (from the 20th place in 2010).

Liabilities. In 2011, CREDIT BANK OF MOSCOW placed three issues of exchange bonds: series BO-01 with a put option in 2 years for RUB 3 bln in February, series BO-04 with a put option in 1.5 years for RUB 5 bln in April and series BO-05 of RUB 5 bln for 3 years in June. All issues were admitted to the quoting list «A» of the first tier of the List of securities admitted to trading at MICEX.

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

Apart from that, in August 2011, Black Sea Trade and Development Bank (BSTDB) granted a 6-year \$30 mln credit facility to CREDIT BANK OF MOSCOW. The facility is intended to develop the Bank's SME lending programmes and is the sixth facility provided by international financial organisations for that purpose. In aggregate, the Bank raised around \$100 mln from international financial organisations for SME financing.

In November 2011, CREDIT BANK OF MOSCOW signed an IFC lead arranged \$131 mln A/B syndicated loan. The \$40 mln IFC A Loan was provided in September 2010. The B Loan was provided by thirteen foreign commercial banks for 1 year, at 255bp (2.55%) over 6-month LIBOR. The B Loan proceeds will be applied to finance trade-related business. This is the Bank's eleventh syndicated loan successfully raised in the international syndicated loan market.

The Bank's equity as calculated under the Basel Accord increased 44.6% yoy reaching RUB 29,480 mln and the capital adequacy ratio was 14.4% compared to 13.6% as of the last year. In 2011, the equity was increased by the Bank's shareholder with a \$35 mln subordinated loan and the RUB 4.5 bln (\$150 mln) ninth additional issuance of common registered uncertified shares. Also in the reporting period, the shareholder's subordinated loans were converted into common stock, which additionally increased the Tier I capital by RUB 3,536 mln. The strong support from the Bank's shareholder ensures a high capital adequacy levels for further business development.

In July 2011, CREDIT BANK OF MOSCOW was for the first time listed in Top 1000 World Banks by Tier I capital under the Basel Accord by *The Banker* as of end-2010 being ranked 822nd. The Bank is the 23rd by equity among Russian banks as of 1 January 2012 in a ranking by *Banki.ru*.

According to the Bank's strategy approved in 2011, CREDIT BANK OF MOSCOW started negotiations with international financial institutions on the possibility of equity investments from their end with the aim of diversifying shareholder structure, increasing capitalization, further developing and expanding its business and promoting transparency and trust in the eyes of lenders, investors and Bank's clients in both domestic and foreign markets.

The Bank's infrastructural development. By end-2011, CREDIT BANK OF MOSCOW's branch network comprised 60 offices and 13 operational cash desks in Moscow and the Moscow Region. The Bank's branch network is one of the most efficient ones according to RBC Rating. The Bank is number 6 among top 50 banks by loans issued per outlet, number 8 by deposit portfolio per outlet and 9 by net assets per outlet.

The number of ATMs rose from 402 (2010) to 604 and the number of payment terminals from 1,737 to 4014. CREDIT BANK OF MOSCOW ranked 1st in Moscow and 2nd in Russia among banks by the number of proprietary transaction & payment terminals as of 1 July 2011 (RBC Rating). The Bank ranked 9th by the number of proprietary ATMs in Moscow (RBC Rating) as of 1 July 2011.

In 2011, the Bank actively developed its remote service system and fee generating lines of retail business. CREDIT BANK OF MOSCOW increased its plastic card issuance by 55% from 389,200 in 2010 to 603,700 in 2011.

Significant subsequent events include changes in the Bank's **governing bodies**. In February 2012, CREDIT BANK OF MOSCOW'S Chairman of the Management Board Alexander Nikolashin became the Bank's President retaining his membership in the Supervisory Board; the office of Chairman of the Management Board was assigned to the First Deputy Chairman of the Management Board Vladimir Chubar; the office of First Deputy Chairman of the Management Board passed to the Deputy Chairman of the Management Board Dmitry Eremin. Furthermore, posts of Deputy Chairmen of the Management Board of CREDIT BANK OF MOSCOW were assigned to the First Vice President Evgeny Sandler, First Vice President Marina Nastashkina and Director of Legal Division Darya Galkina; Vice President Yulia Nikolaeva became a member of the Management Board.

Ratings

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

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

Important subsequent events include the assigning of primary credit ratings to CREDIT BANK OF MOSCOW by Standard and Poor's in January 2012: "B+" long-term, "B" short-term and "ruA+" Russia national scale rating (stable outlook).

The Bank's 2011 key financial results

Key financials	2011, RUB mln	2010, RUB mln	change, %
Assets	232,371	165,471	40.4
Liabilities	206,763	151,704	36.3
Equity (Basel)	29,480	20,386	44.6
Loan portfolio (after provisions)	159,020	103,852	53.1
NPLs (loans overdue by more than 90 days)	1,765	1,628	8.4
	2011, RUB mln	2010, RUB mln	change, %
Net income	3,886	3,021	28.6
Net interest income (before provisions)	8,724	6,067	43.8
Fees and commissions income	2,719	1,758	54.6

Key financial ratios, %	2011	2010
Capital adequacy ratio (CAR)	14.4	13.6
90+ NPL ratio (before provisions)	1.1	1.5
LLP to 90+ NPL ratio	208.6	171.6
Net interest margin (NIM)	5.0	5.6
Cost-to-income ratio (C/I ratio)	39.8	34.3
Return on equity (ROE)	19.7	24.4
Return on assets (ROA)	2.0	2.4

Background details

CREDIT BANK OF MOSCOW was founded in 1992. It holds general license No. 1978 issued by the Bank of Russia.

The Bank ranks the 21st among Russia's largest banks (INTERFAX-100).

CREDIT BANK OF MOSCOW is a universal credit and financial institution providing the full range of banking services.

The Bank focuses on Moscow and the Moscow Region. The Bank's branch network comprises 60 branches, more than 600 ATMs and 4000 payment terminals.

Since 2004 the Bank has been admitted to the Deposit Insurance System.

CREDIT BANK OF MOSCOW's sole shareholder is "ROSSIUM Concern", LLC. The Bank's ultimate beneficial owner is Mr. Roman Ivanovich Avdeev.

Contact information

Pavel Voronov

Director of International Business and FI Division

tel: 797 42 22 ext. 6200

voronov@mkb.ru

Elena Finashina

Head of Financial Institutions Department

tel: 797 42 22 ext. 6202

finashina@mkb.ru

Anastasia Vasilchuk

Chief Manager, Investor Relations

tel: 797 42 22 ext. 6217

vasilchuk@mkb.ru