



# CREDIT BANK OF MOSCOW

**IFRS Results for the Three-Month Period Ended  
March 31, 2014**

Webcast and Conference call  
June 16, 2014



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# Today's presenters



**Vladimir Chubar**  
*CEO, Member of the Supervisory Board*

-  CEO since February 2012
-  With CBM since 2004
-  Previous experience:
  - First Deputy CEO at CBM
  - Head of Financial Division at CBM



**Eric de Beauchamp**  
*CFO*

-  Joined CBM in June 2013 as CFO
-  Previous experience:
  - CFO of Orient Express Bank
  - General Director in Banque Accord (Auchan Group) in Moscow
  - Head of the Financial Control Department at Rusfinance Bank (Societe Generale Group) in Moscow

# Agenda

Key developments and business overview

4

Financial performance and strategic positioning

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# Overview

## Key Highlights

-  #14 bank in Russia by total assets<sup>1</sup>
-  #4 privately owned bank in Russia by total assets<sup>1</sup>
-  Corporate banking, servicing over 15,000 active corporate banking clients<sup>2</sup>
-  Retail banking, servicing over approx. 690,000 retail banking clients<sup>2</sup>, primarily focusing on employees of corporate banking clients
-  61 offices and 27 cash offices, 5,450 payment terminals (ranked #2<sup>3</sup>) and 715 ATMs (#3<sup>4</sup>) in Moscow Area<sup>5</sup>
-  Approx. 4,700 employees<sup>2</sup>
-  Credit ratings: BB from Fitch, BB- from S&P, B1 from Moody's
-  Shareholders' structure diversified with globally recognized international investors EBRD and IFC controlling 15% stake



Bank of The Year 2013 by Banki.ru

Source: Company data, IFRS financial statements  
Notes:

1) INTERFAX-100 ranking as of 1 April, 2014

2) As of 1 April 2014

3) As of 1 January 2013 (RBC rating)

4) As of 1 July 2013, according to RBC and company data

5) Moscow Area represents Moscow and the Moscow Region

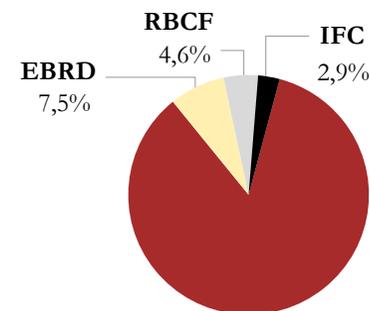
6) N1 Ratio (RAS) as of 1Q 2014 is calculated according to Basel III

7) Tier 1 Capital Ratio as of YE2012 is calculated according to Basel I

## Key Financials

Balance sheet (RUB bln)	2012	2013	1Q2014
Total Assets	308.7	454.2	463.6
Gross Loans	205.9	317.9	333.3
Customer Deposits	189.0	274.9	280.2
Shareholder's Equity	39.3	50.7	52.4
<b>Key Ratios</b>			
NPL 90+ / Gross Loans	1.0%	1.3%	1.6%
N1 Ratio (RAS) <sup>6</sup>	12.9%	12.1%	12.3%
Tier 1 (Basel III) <sup>7</sup>	13.4%	10.2%	10.7%
Income Statement (RUB bln)	3m2012	3m2013	3m2014
Net interest income (before provisions)	2.3	3.6	5.0
Net Income	1.2	1.7	1.9
<b>Key Ratios</b>			
RoAA	2.1%	2.2%	1.7%
RoAE	18.0%	17.4%	14.9%
Net Interest Margin	4.5%	5.1%	4.8%
Cost / Income	43.4%	34.8%	33.0%

## Supportive Shareholders



Roman I. Avdeev  
85,0%

# Key developments in 1Q2014 and up to date

## Financial results

- 1Q2014 IFRS net income increased by 10.0% on 1Q2013 to RUB 1,919 mln (USD 53.8 mln)
- Assets grew 2.1% reaching RUB 463,604 mln (USD 12,990.8 mln)
- The gross loan portfolio increased by 4.8% in 1Q2014 to RUB 333,254 mln (USD 9,338.2 mln)
- Non-performing loans (loans overdue more than 90 days) were up to 1.6% in 1Q2014 versus 1.3% for YE2013 due to growth of retail business share in the loan portfolio
- Operational efficiency is proved by 14.9% return on equity and 1.7% return on assets
- The cost-to-income ratio decreased to 33.0% at the end of 1Q2014 from 34.8% the previous year

## Increasing importance of retail segment

- Gross loans to individuals grew by 9.6% in 1Q2014 up to RUB 107.2 bn
- Share of retail loan portfolio is growing consistently being 32.2% as at 1Q2014 (30.8% as at YE2013)
- 11<sup>th</sup> in Russia by retail deposits (Expert RA, as at 1 May 2014)

## Capital markets

- USD 500 mln syndicated loan facility agreement was signed with a pool of high quality lenders in March 2014
- RUB 1 bln credit line maturing in 2 years was attracted from SME Bank in April 2014

## Capital position

- Total capital according to Basel III standards grew by 2.4% in 1Q2014 to RUB 72,739 mln (USD 2,038.3 mln), with a capital adequacy ratio of 15.2% and Tier I ratio of 10.7%

## Rating actions

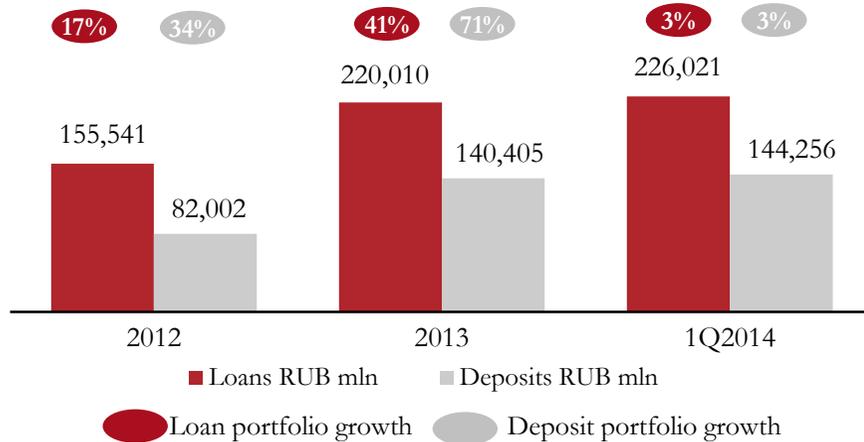
- In June 2014, Standard&Poor's affirmed the Bank's credit ratings at 'BB-/B' despite deteriorating economic conditions, outlook stable

## Corporate governance

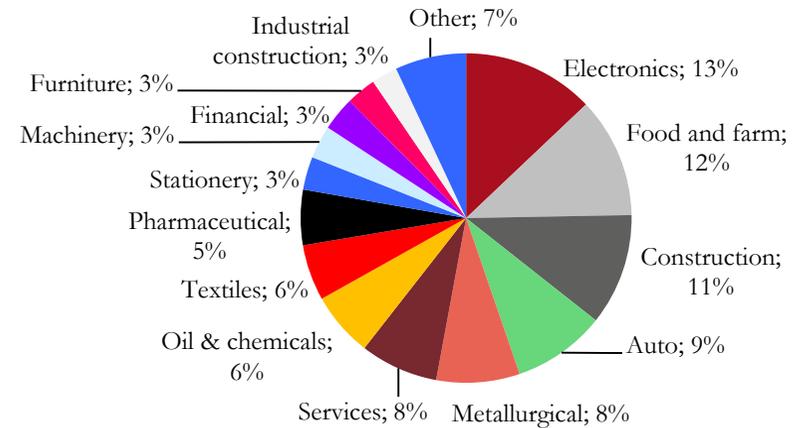
- 3 new directors joined the Bank's Supervisory Board in March 2014

## Strong niche market player

Corporate loan (gross) and deposit portfolio dynamics<sup>1</sup>



Corporate loans breakdown by industry<sup>1</sup> (1Q2014)



## Highlights

### Strong and Quality Client Base

- ✔ Over 15,000 active corporate clients<sup>2</sup>
- ✔ Strategic focus on retail and wholesale trading sector
- ✔ Focus on large and medium sized corporates

### Business Focused on Growth

- ✔ Strategy and organisational structure designed to deliver above market growth
- ✔ Focus on increasing contribution of larger corporates

### Risk Management as Key Priority

- ✔ Well-diversified loan portfolio
- ✔ Focus on shorter term lending
- ✔ Synergies with cash handling business, enabling effective credit monitoring

1) Source: IFRS financial statements

2) Company data: as of 31.03.2014



# Cash Handling – Strategic Synergies with Corporate Banking Business

## Strategic Synergies with CBM Business

Value for Clients	<ul style="list-style-type: none"> <li>✔ High demand service for retail trade clients</li> <li>✔ Serves as an entry point to start new client relationships and enhance client loyalty</li> </ul>
Strategic benefits to CBM	<ul style="list-style-type: none"> <li>✔ Powerful tool for monitoring client cash flows</li> <li>✔ Permanent client balances allow for direct debiting in case of distress situation</li> <li>✔ Servicing CBM's network of payment terminals and ATMs</li> </ul>

## Highlights<sup>1</sup>

- ✔ Over 1,000 customers, of which 41 are banks
- ✔ Over 17,000 cash handling points served via more than 180 routes
- ✔ Over 240 armored vehicles with various carrying capacity
- ✔ Best-in-class equipment including high-tech audio/video recording and surveillance systems, as well as integrated logistics systems



Source: Company data

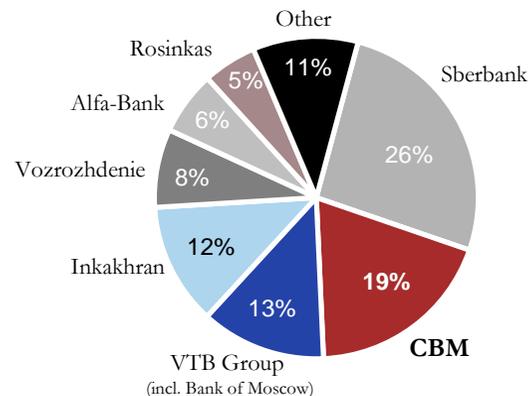
1) As of 31.03.2014

2) Interfax Cash Handling Services report for 3Q2013

3) 2GIS directory, 2014

## Cash Handling Market Share (Moscow, Jan-Sep 2013)

(% Share by Cash Handled)

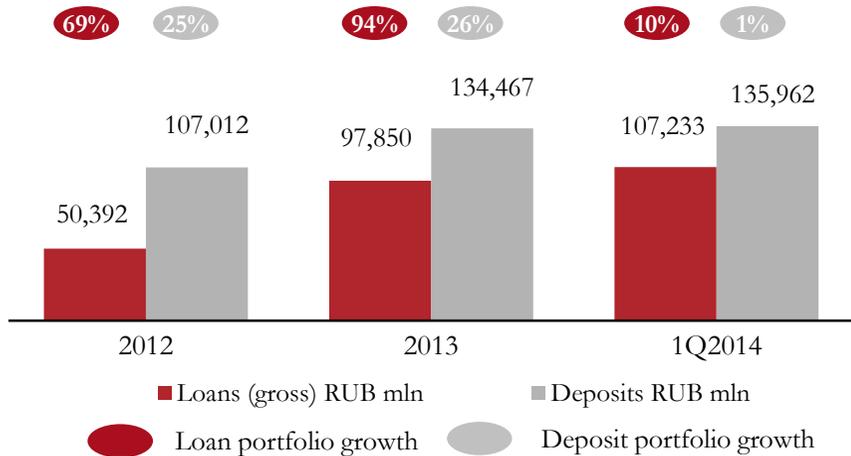


Source: Interfax Cash Handling Services report for 3Q2013

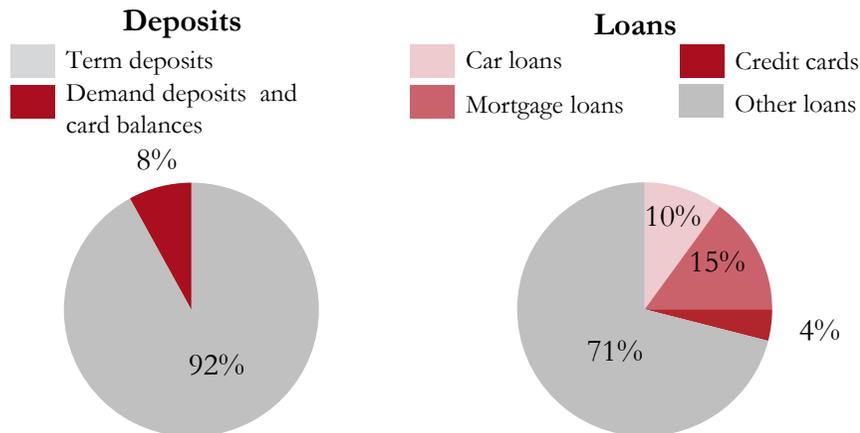


## Retail expansion well underway

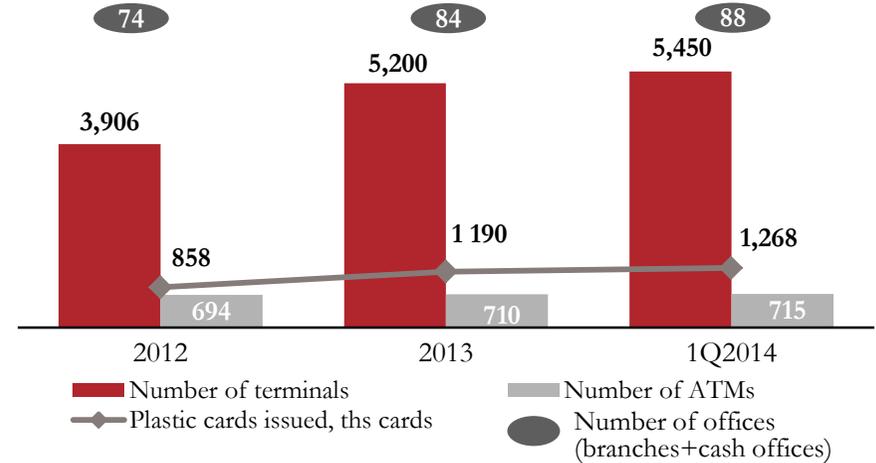
### Retail loan (gross) and deposits portfolio dynamics



### Breakdown by type



### Network development



### Key developments and strategy

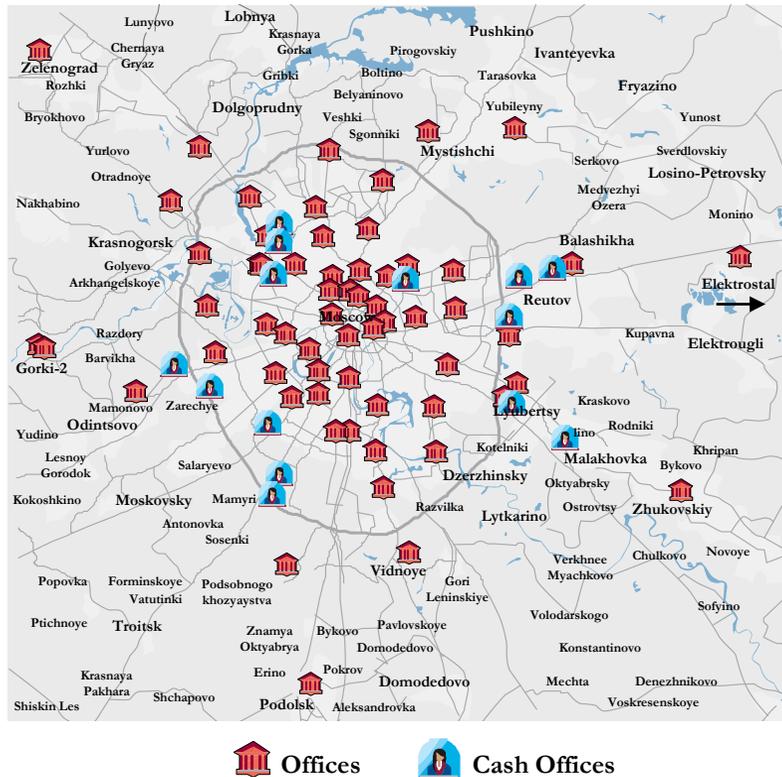
- Total number of retail customers is approx. **690** ths (approx. 640 ths as at YE2013)
- 61** branches and **27** cash offices in Moscow and Moscow Region as at 31 March 2014
- The growth of retail banking share in the loan portfolio is well in line with the target, being **32.2%** as at 1Q2014 (30.8% as at end of YE2013)
- Target market segments are consumer loans, mortgage loans and credit cards
- 11th** largest bank in retail deposits in Russia (Expert RA, as at 1 May 2014)



# Efficient Multichannel Distribution and Service Platform

## Established Traditional Offices Network...

- ✓ 61 offices and 27 cash offices in Moscow Area
- ✓ Convenient locations in high traffic areas, operating 7 days a week with extended hours



## ...Complemented by Well Developed Alternative Channels

Remote Channels	Payment Terminals	<ul style="list-style-type: none"> <li>✓ 5,450 payment terminals – ranked #2 in Moscow by number of payment terminals<sup>1</sup></li> <li>✓ Effective acquisition and service channel</li> <li>✓ Powerful risk management tool</li> </ul>
	ATMs	<ul style="list-style-type: none"> <li>✓ 715 own ATMs with broad functionality</li> <li>✓ Over 3,600 ATMs of partner Banks</li> </ul>
	Internet and Mobile	<ul style="list-style-type: none"> <li>✓ Ranked #2 in Russia by Internet bank system<sup>2</sup></li> <li>✓ Over 443,000 Internet bank users +20% in 1Q 2014</li> <li>✓ 23,200 online applications in 1Q2014</li> </ul>
	Call Centre	<ul style="list-style-type: none"> <li>✓ Over 116,000 incoming servicing calls per month</li> <li>✓ Over 48,000 outgoing telemarketing calls per month</li> </ul>
	DSA (Bank at Work)	<ul style="list-style-type: none"> <li>✓ Untapped opportunity – currently less than 5% of target employees of corporate clients are retail banking customers of CBM</li> <li>✓ Target client base of 1.6 MM potential clients</li> </ul>

Source: Company data

1) As of 1 January 2013 according to RBC rating

2) By Markswebb in 2014



# Leading Payment Terminal Network as a Unique Acquisition tool

## Highlights

- ✔ #2 largest payment terminal network in Moscow with c.5,450 devices in high traffic locations
- ✔ Superior functionality in comparison to competitor's devices

Cost efficiency	<ul style="list-style-type: none"> <li>✔ Payment terminal is effectively a “mini-branch” which only costs US\$ 4,000 to set up</li> <li>✔ Automates part of routine tasks releasing front-desk personnel capacity</li> </ul>
Advertising and acquisition channel	<ul style="list-style-type: none"> <li>✔ Payment services attract new customers</li> <li>✔ Promotes brand awareness and product awareness</li> <li>✔ Ranked #4 media channel by media reach<sup>1</sup> in Russia</li> </ul>
Risk management tool	<ul style="list-style-type: none"> <li>✔ Continuous data collection</li> <li>✔ Ability to understand consumer patterns</li> <li>✔ C.58% of loan applicants have used payment terminal network of the Bank in the past</li> </ul>

## Leading Payment Terminal Network with Enhanced Functionality





**CREDIT BANK  
OF MOSCOW**

www.mkb.ru  
(495) 777-4-888

 Open a Deposit?

 Apply for a Loan?

 Get a Credit Card?

Mobile Top Up

Internet and Cable Providers

Pay Fines

Repay Loan

Pay Utility Bills

Other Services

Online Shopping / Online Wallet

CBM Services

Cash-in

Card Balance

Information

**Every 3rd**  
banking terminal in Moscow Area belongs to CBM<sup>2</sup>

Source: Company data, RBC

1) As of February 2012, according to Synovate Comcon

2) As at the end of 2013 according to J'son & Partners Consulting

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**Financial performance and strategic positioning**

**12**

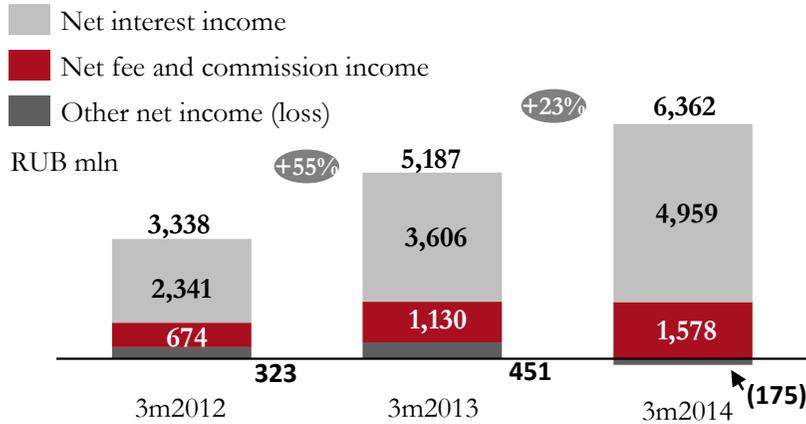
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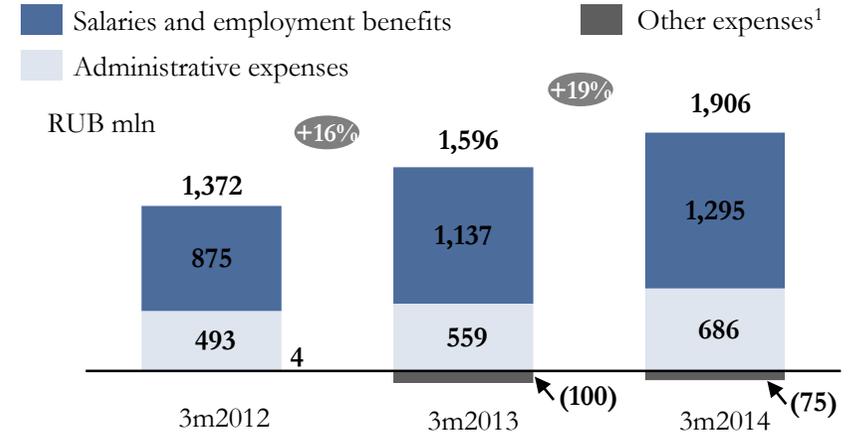
# Income and Expenses

## CTI ratio of 33.0% driven by strong earnings and operational efficiency

### Operating income



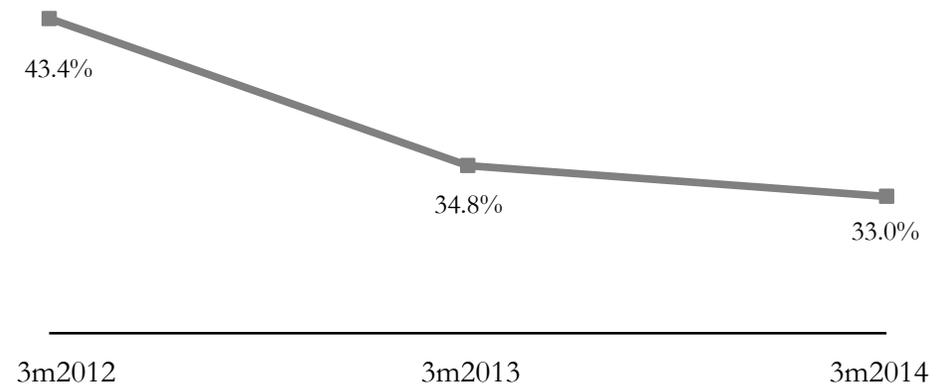
### Operating expenses



### Key developments

- RoAE at a high level of 14.9% as at 1Q 2014 vs. 17.4% as at 1Q2013
- RoAA is reduced to 1.7% as at 1Q 2014 (2.2% as at 1Q2013)
- Gross loan portfolio growth (+4.8% in 1Q 2014 and +54.4% in 2013) is the main driver of increase in net interest income
- Main drivers for **Net fee and commission income** increase were insurance contracts processing fees (increased by 55.7% compared to 1Q2013), settlement operation fees (increased by 82.5%) and plastic card fees (increased by 204.4%)
- Outstripping growth of operating income vs. operating expenses results in a low CTI<sup>2</sup> at the level 33.0%
- Net interest margin is sound (4.8%), though slight decrease stemmed from conservative policy of the Bank in terms of liquidity

### Cost-to-income (CTI)<sup>2</sup> ratio dynamics



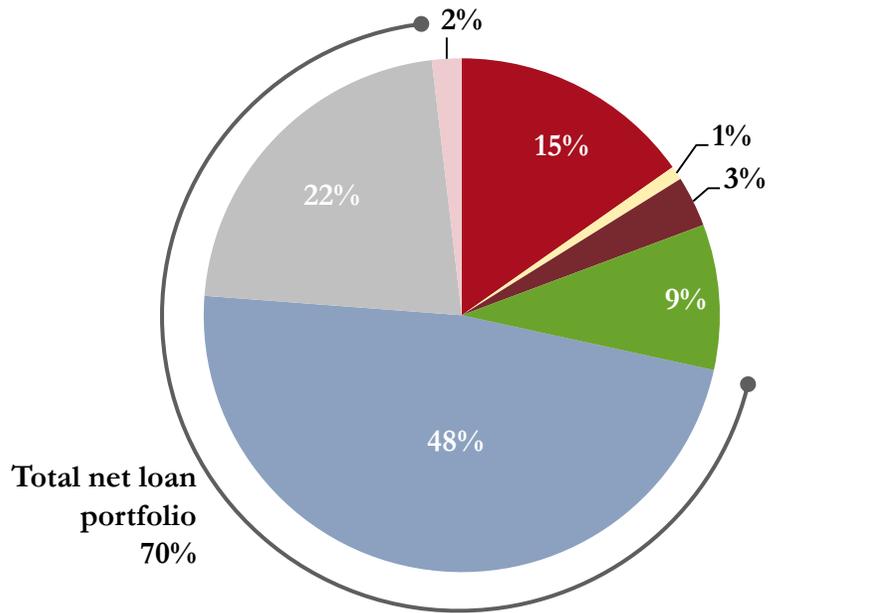
Source: IFRS financial statements

1) Other expenses consist of depreciation of property and equipment and of provision for impairment of other assets and credit related commitments

2) Cost-to-income (CTI) ratio is calculated as operating expenses less other provisions divided by operating income before loan loss provisions

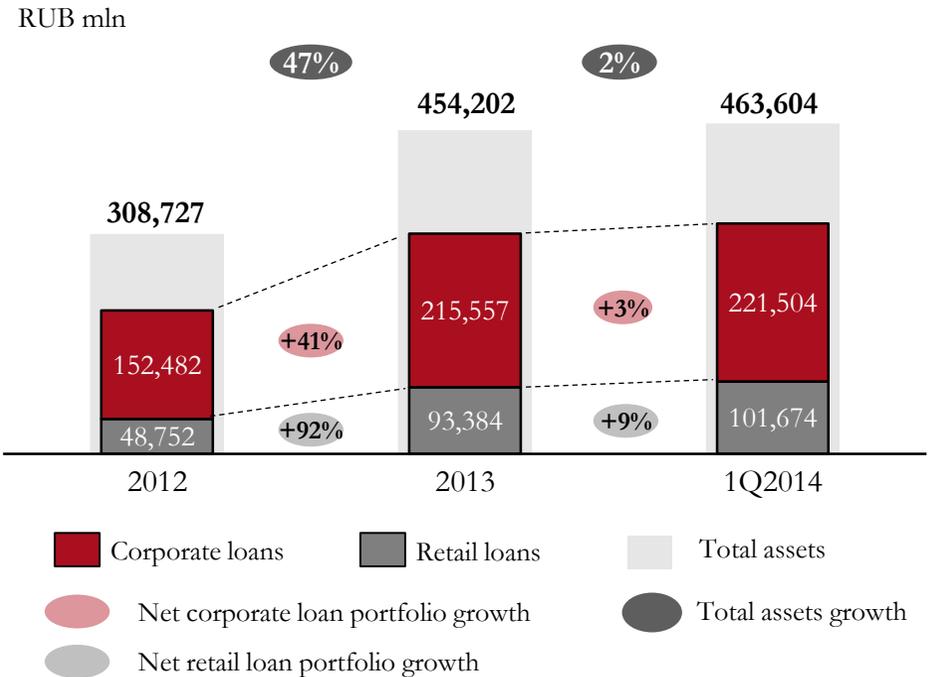
## Growing asset base with focus on high quality

Assets structure



- Cash and due from CBR: 15%
- Available-for-sale securities: 3%
- Corporate loans: 48%
- Other: 2%
- Due from credit institutions: 1%
- Instruments at fair value: 9%
- Retail loans: 22%

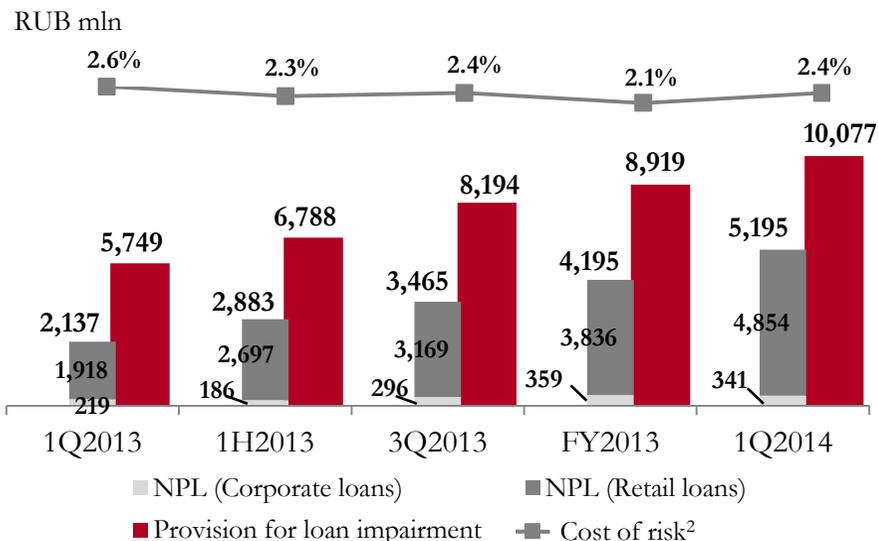
Assets and loan portfolio (net) dynamics



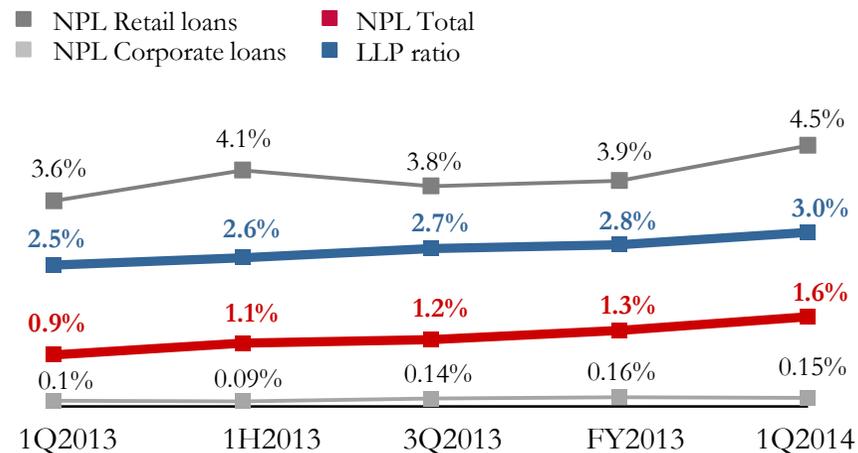
# Loan Portfolio

## Loan portfolio expands while retaining strong quality metrics

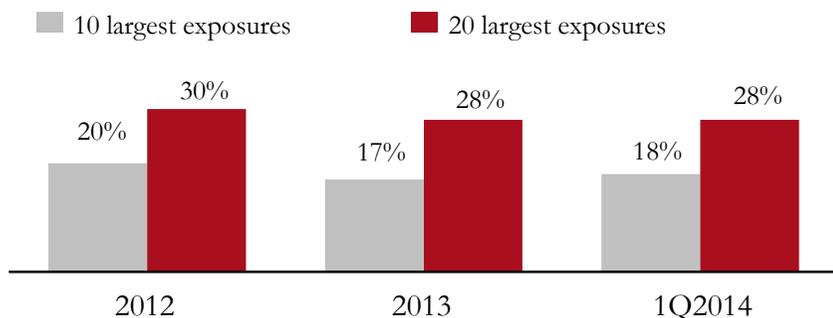
### NPL<sup>1</sup> and Provisioning dynamics



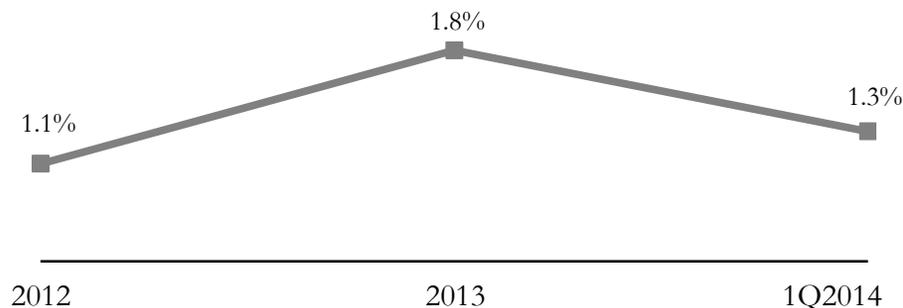
### NPL<sup>3</sup> and Provisioning ratio dynamics



### Largest exposures



### Related party lending (% of total equity)



Source: IFRS financial statements

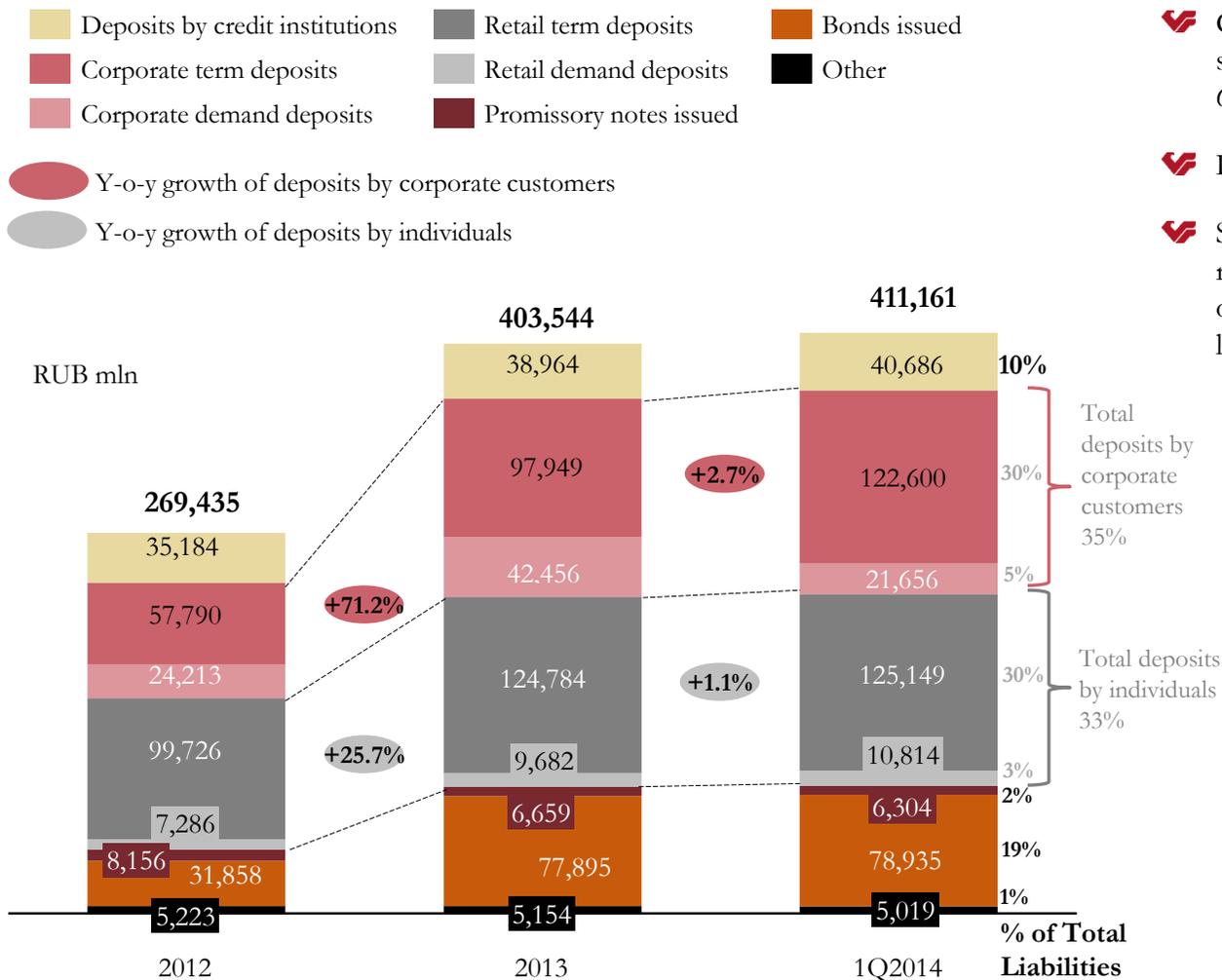
1) NPLs are loans with payments that are overdue >90 days (figure does not include renegotiated loans)

2) Cost of risk is calculated as impairment allowance net charge (annualised) to average loan portfolio for the period

3) NPLs are calculated relative to the relevant loan product

# Well Balanced Funding Structure

Funding base<sup>1</sup>



Good diversification of funding base with significant share of customer deposits, which now represent 68% of total liabilities

Deposits by individuals form stable funding source

Slowdown in customer deposits growth in 1Q2014 resulted from the Bank's excess liquidity as at the end of 2013 as well as scheduled raising of a syndicated loan facility.

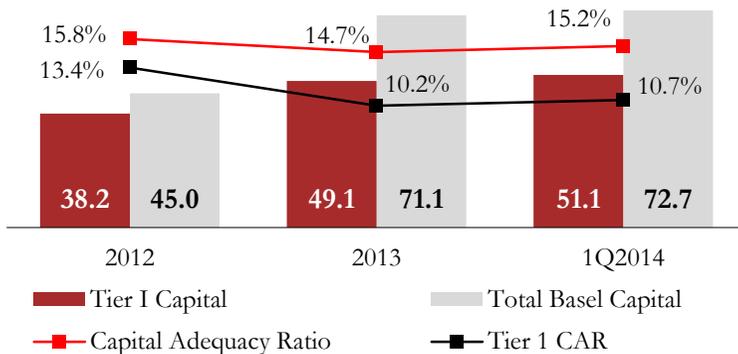
- In March 2014 the Bank signed a syndicated loan facility agreement in total amount of up to USD 500 mln with a pool of high quality lenders from across Europe, North America and Asia.

Source: IFRS financial statements  
1) Equals to liabilities

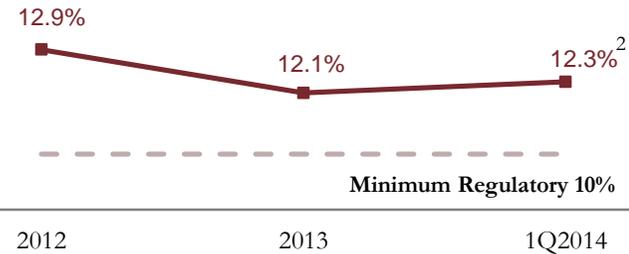
# High Capital Position

## IFRS Capital Adequacy Ratio<sup>1</sup>

RUB bln



## RAS Capital Adequacy Ratios



## Capital Injections Since 2010

- Subordinated loan from Black Sea Trade and Development Bank: US\$20 mln
- US\$500 mln subordinated Eurobond issue
- Other subordinated loans (domestic subordinated bond issues): RUB3.0 bln and RUB2.0 bln
- Tier I capital injections by the current shareholders in the amount of RUB17.6 bln

Source: IFRS financial statements

1) Data as of 1Q2014 and YE2013 is calculated according to Basel III

2) 1Q 2014 regulatory capital adequacy ratio is calculated as per the CBR's new Basel 3 recommendations:

N1.0 = 12.3% (Total Capital)

N1.1 = 7.4% (CET1)

N1.2 = 7.4%

# Core Pillars of CBM Strategy

## Well Defined Strategy

-  Focus on Moscow Area
-  Emphasis on servicing retail and wholesale trading corporates
-  Expand retail banking business focusing on high quality customers

## Execution Track Record

-  Disciplined risk management with differentiated risk appetite across client categories
-  High quality customer service
-  Centralised and cost efficient operating model



## Strong Management and Corporate Governance

-  Entrepreneurial, properly incentivised management team
-  Best-in-class corporate governance standards with 5 of 12 Supervisory Board members being INEDs

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# Key Metrics of Financial Performance

RUB, mn	2012	2013	1Q2014	2013-1Q2014 Change, %
Total assets	308,727	454,202	463,604	+2.1%
Loans to customers (gross)	205,933	317,860	333,254	+4.8%
Total equity	39,292	50,658	52,443	+3.5%
NPL / Gross loans	1.0%	1.3%	1.6%	-
Total provisions / NPL	238.9%	212.6%	194.0%	-
Tier 1 Capital Ratio	13.4%	10.2%	10.7%	-
Total CAR	15.8%	14.7%	15.2%	-
RUB, mn	3m2012	3m2013	3m2014	3m2013-3m2014 Change, %
Net interest income	2,341	3,606	4,959	+37.5%
Fee and commission income	756	1,240	1,914	+54.3%
Net income	1,215	1,745	1,919	+10.0%
NIM	4.5%	5.1%	4.8%	-
RoAE	18.0%	17.4%	14.9%	-
RoAA	2.1%	2.2%	1.7%	-
Cost / Income	43.4%	34.8%	33.0%	-

Tier 1 Capital Ratio and Total CAR as of 1Q2014 and YE2013 is calculated according to Basel III

# High Standards of Corporate Governance

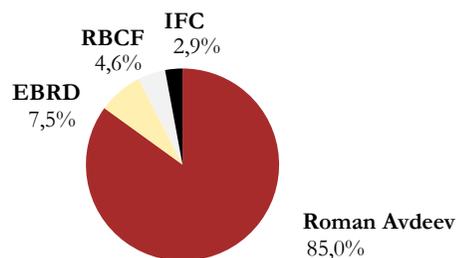
## Full Compliance with Best International Corporate Governance Practices

**Audit Panel** ■ Audit Panel reports directly to shareholders

**Supervisory Board** ■ 5 INEDs out of 12 Board members  
 ■ 2 representatives of minority shareholders  
 ■ INEDs have been present on the Board since 2008

**Committees** ■ Audit and Risk committee  
 ■ Compensation, Corporate Governance and Nominations Committee  
 ■ Strategy and Capital Markets Committee  
 ■ The Board also controls Internal Audit and Control Division

**Ownership disclosure** ■ Beneficiaries are fully disclosed on CBM's corporate website (as of 31.03.2014)



**Corporate and Financial information disclosure** ■ **#4** by quality of IFRS disclosures according to Fitch Ratings in 2013  
 ■ IFRS statements audited on annual basis and reviewed on a quarterly basis  
 ■ **#1** Best annual report 2012 according to RCB media group

## CBM Supervisory Board

 <b>William Owens</b> ■ Chairman of the Supervisory Board ■ Served as INED for multiple companies, including FESCO	 <b>Roman Avdeev</b> ■ Controlling shareholder of CBM
 <b>Richard Glasspool</b> ■ 17 years of KPMG experience ■ Served on boards of RESO-Garantia and Sobinbank	 <b>Thomas Grasse</b> ■ EBRD representative ■ Served on Boards of Banca Intesa Russia and International Moscow Bank (now UniCredit)
 <b>Bernard Sucher</b> ■ One of the co-founders of the investment bank Troika Dialog ■ Serves on the boards of Aton and UFG Asset Management	 <b>Mikhail Kuznetsov</b> ■ IFC/RBCF representative ■ INED for OJCS "Russian meat products" and OJSC "Energosetproject"
 <b>Brendan Walsh</b> ■ Currently Head of American Express's Global Commercial Cards division in EMEA, and Chairman of American Express Services Europe Ltd	 <b>Vladimir Chubar</b> ■ Chairman of the Management Board of CBM
 <b>Andrew Gazitua</b> ■ >20 years of investment banking experience in Europe ■ Board member of Web Financial Group	 <b>Alexander Nikolashin</b> ■ Ex President of CBM ■ President of LLC "MCB Capital"
 <b>Nicholas Haag</b> ■ >30 years of investment banking experience in Europe ■ Board member of TBC Bank	 <b>Anton Avdeev</b> ■ Deputy Vice-President of LLC "MCB Capital"

- Independent Directors

- Representatives of Minority Shareholders