CREDIT BANK OF MOSCOW (open joint-stock company)

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CREDIT BANK OF MOSCOW announces its 1H2014 IFRS results

Key results

- CREDIT BANK OF MOSCOW's 1H2014 net income increased by 10.9% vs 1H2013 to RUB 4,243 mln ($126.2 mln)
- Net interest margin was 5.1% in the reporting period
- Assets grew 7.2% ytd reaching RUB 486,730 mln ($14,472.8 mln)
- The gross loan portfolio increased by 12.3% in 1H2014 to RUB 356,861 mln ($10,611.2 mln)
- Non-performing loans (NPL 90+) represented 1.9%, and loan loss provisions stood at 3.1%, of the gross loan portfolio as at the end of 1H2014
- Equity increased by 8.4% in 1H2014 to RUB 54,902 mln ($1,632.5 mln)
- Capital according to Basel III standards was RUB 73,153 mln ($2,175.0 mln) in 1H2014, with a capital adequacy ratio of 14.3% and Tier I ratio of 10.5%
- The Bank demonstrated high operational efficiency in the reporting period with return on equity of 16.1%, return on assets of 1.8% and cost-to-income ratio of 34.0%

Key financial highlights

Balance sheet	1H2014, RUB mln	2013YE, RUB mln	change, %
Assets	486,730	454,202	7.2
Liabilities	431,827	403,544	7.0
Equity	54,902	50,658	8.4
Capital (Basel III)	73,153	71,064	2.9
Gross loan portfolio	356,861	317,860	12.3

Income statement	6m 2014, RUB mln	6m 2013, RUB mln	change, %
Net interest income (before provisions)	10,885	7,731	40.8
Fee and commission income	4,026	3,080	30.7
Net income	4,243	3,825	10.9

Key financial ratios, %	1H2014	2013YE
Basel III capital adequacy ratio (CAR)	14.3	14.7
90+ NPL ratio (before provisions)	1.9	1.3
NPL coverage ratio	161.6	212.6
Loan-loss provisions / Gross loans	3.1	2.8
Net loans / deposits	117.0	112.4
Net interest margin (NIM)	5.1	5.2
Cost-to-income (CTI)	34.0	31.2
Return on capital (ROAE)	16.1	20.1
Return on assets (ROAA)	1.8	2.4

Net income grew 10.9% yoy and reached RUB 4.2 bln. This was mostly due to net interest income growing 40.8% to RUB 10.9 bln, and to net fee and commission income increasing 17.5% to RUB 3.3 bln. These items contribute the most to the income statement and account, respectively, for 76.4% and 23.2% of operational income before provisions.

Net interest income is mainly driven by interest income from loans to customers representing 87.6% of the Bank's total interest income. This item increased by 39.5% to RUB 22.8 bln in the reporting period compared to RUB 16.3 bln in 1H2013, as a result of loan portfolio growth in the previous year with a focus on high-yield retail lending. **Net interest margin** remains above 5% and stood at 5.1% in the reporting period.

Fee and commission income increased by 30.7% compared to 1H2013, reaching RUB 4.0 bln. One of its key drivers was plastic card fees which soared by more than 2.5 times fuelled by dynamic development of this business by the Bank in the last years. The number of plastic cards issued exceeded 1.3 mln at the end of 1H2014.

Operating expense increased by 34.0% to RUB 4.8 bln on the back of the Bank's business development. Staff costs grew by 33.3% to RUB 2.9 bln, administrative costs increased by 38.5% to RUB 1.7 bln. Operational efficiency stayed at a good level vs average ratios in the Russian banking sector: cost to income (CTI) ratio was 34.0% as at the end of 1H2014.

Gross loan portfolio increased by 12.3% ytd and reached RUB 356.9 bln as at the end of 1H2014. The corporate loan book grew by 8.7% to RUB 239.1 bln, and the retail loan book by 20.3% to RUB 117.7 bln. The share of retail loans in the gross loan portfolio was 33.0% having increased from 30.8% as at 2013YE. Loan portfolio quality was maintained at a good level, compared to the Russian banking sector as a whole, with a 1.9% share of NPLs in the gross portfolio at the end of 1H2014.

Customer accounts and deposits increased by 7.5% in 1H2014 up to RUB 295.4 bln amounting to 68.4% of total liabilities. The ratio of net loans to deposits slightly grew from 112.4% at the end of 2013 to 117.0% at the end of 1H2014.

Capital markets activity

In June 2014, CREDIT BANK OF MOSCOW successfully placed its RUB 3.7 bln debut class "A" mortgage-backed bonds due in 25 years. The bonds pay quarterly coupons at 10.65% per annum.

In July 2014, the Bank placed two 5-year domestic exchange-traded bonds series BO-10 and BO-11 with a face value of RUB 5 bln each. The first two and three (respectively) pre-buyback semi-annual coupon rates were fixed at 10.5% and 10.9% per annum.

In August 2014, CREDIT BANK OF MOSCOW redeemed its USD 200 mln 3-year 8.25% Eurobond issue placed in 2011.

Capital adequacy ratio was calculated in accordance with Basel III. Total capital according to Basel III standards increased by 3.5% in 1H2014 reaching RUB 73.2 bln, and the capital adequacy ratio stood at 14.3%. Tier I capital ratio increased in the reporting period to 10.5% from 10.2%.

Infrastructure development

At the end of 1H2014, CREDIT BANK OF MOSCOW’s network comprised 61 offices and 30 operational cash desks in Moscow and the Moscow Region. CREDIT BANK OF MOSCOW’s branch network was recognised as the most efficient in the Russian banking sector in 2013 by Renaissance Credit.

As of 1H2014 the Bank had 766 ATMs and over 5,500 payment terminals.

Ratings

At the end of 1H2014 the international credit ratings of CREDIT BANK OF MOSCOW were maintained at:

- 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 of "B1/NP", financial strength rating of "E+", long-term national scale credit rating at of "A1.ru", stable outlook;
- Standard & Poor's – Long-term credit rating of "BB-", Short-term credit rating of "B" , Russia national scale rating of "ruAA-", stable outlook.

Enquiries

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For reference

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

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

According to INTERFAX-100, as at 1 July 2014, CBM is one of the top five privately owned Russian banks, measured by total assets. The Bank is currently rated BB- with a Stable outlook by S&P; B1 with a Stable outlook by Moody's; and BB with a Stable outlook by Fitch.

CBM was founded in 1992 and acquired by Mr. Roman Avdeev in 1994. Mr. Avdeev beneficially owns 85% of CBM's shares. The European Bank for Reconstruction and Development, International Finance Corporation (IFC) and RBOF Holding Company I, Ltd. (100% owned by the IFC Russian Bank Capitalization Fund belonging to the same group of companies as the IFC) hold 15% of CBM's shares and are represented on CBM's Supervisory Board alongside five independent non-executive directors.

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

Methodology note:

NIM, ROE, ROA are calculated based on averaged quarter-on-quarter IFRS data.