

**PRESS RELEASE**
**05.06.2013**
**CREDIT BANK OF MOSCOW announces sound performance in 1Q 2013 under the international financial reporting standards (IFRS)**
**Key results**

- CREDIT BANK OF MOSCOW'S 3-month 2013 IFRS net income grew 43.7% compared to the same period of 2012 and amounted to RUB 1.7 bln (\$56.1 mln).
- The Bank's high operational efficiency showed itself in the return on equity (17.4%) and return on assets (2.2%).
- The Bank's assets rose 4.0% ytd reaching RUB 321.1 bln (\$10,329.8 mln).
- The gross loan portfolio expanded by 13.7% ytd to RUB 234.1 bln (\$7,531.9 mln).
- The NPL ratio (90+ days) decreased in the reporting period to 0.9% from 1.0%.
- The cost-to-income ratio lowered in the reporting period from 40.5% to 2 year low 34.8%.
- The Bank's equity augmented by 4.4% ytd up to RUB 41.0 bln (\$1,319.9 mln).
- The capital calculated under the Basel Accord increased 5.6% in 1Q 2013 reaching RUB 47.5 bln (\$1,528.6 mln), the capital adequacy ratio being 15.4%.

"I am pleased with the Bank's achievements in the first quarter of 2013 as they demonstrate the continued success of our strategy. All of our core lines of business delivered strong operating performance. While maintaining focus on underwriting procedures and strict cost control, we remain on track to deliver on our targets for 2013", - said Vladimir Chubar, Chairman of the Management Board of the Bank.

**The Bank's 1Q 2013 key financial results**

<b>Key financials</b>	<b>1Q 2013, RUB mln</b>	<b>2012YE, RUB mln</b>	<b>change, %</b>
Assets	321,085	308,727	4.0
Liabilities	280,059	269,435	3.9
Equity (Basel)	47,515	44,996	5.6
Loan portfolio (gross)	234,116	205,933	13.7
NPLs (loans overdue by 90+ days)	2,137	1,967	8.6
	<b>1Q 2013, RUB mln</b>	<b>1Q 2012, RUB mln</b>	<b>change, %</b>
Net income	1,745	1,215	43.7
Net interest income (before provisions)	3,606	2,341	54.0
Fees and commissions income	1,240	790	57.1

<b>Key financial ratios, %</b>	<b>1Q 2013</b>	<b>2012YE</b>
Capital adequacy ratio (CAR)	15.4	15.8
90+ NPL ratio (before provisions)	0.9	1.0
LLP / 90+ NPL ratio	269.0	238.9
Net interest margin (NIM)	5.1	5.2
Cost-to-income ratio (CTI)	34.8	40.5

Return on equity (ROE)	17.4	17.8
Return on assets (ROA)	2.2	2.1

According to the *Banks of Russia Rating: first quarter 2013 results* (RBC Rating), CREDIT BANK OF MOSCOW is number 18 by net **assets** (compared to number 19 in 2012YE ranking).

Having strengthened its capitalisation by retained earnings and a domestic subordinated bond issue, the Bank kept its return on equity (**ROAE**) at a high level for the industry (17,4%), while its return on assets (**ROAA**) rose from 2.1% to 2.2%.

In 1Q2013, **operational income** (net of accrued impairment provisions) grew significantly faster than **operational expenses**: compared to 1Q 2012, the former soared 54.1% reaching RUB 5.2 bln, while the latter increased by 22.2% to RUB 1.8 bln. Operational income grows largely due to the expanding lending operations and increasing fee and commission income. One of the key drivers of the operational expenses growth is, and has been, staff costs that rise together with the headcount as well as due to the market-conformed salary increases and senior appointments in 2012. **Operational performance** improved significantly in the reporting period, with the cost-to-income (CTI) ratio falling from 40.5% as at 2012YE to 34.8% for 1Q 2013.

The Bank's growing lending operations made its **net interest income** grow 54.0% in the reporting period compared to 1Q 2012 to RUB 3.6 bln. Thanks to the consistently high efficiency of business, the **interest margin** remains 5.1%, a high level for the industry.

The Bank's **fee and commission income** soared by 57.1% compared to 1Q 2012 reaching RUB 1.2 bln of which 24.0% is attributable to loan insurance arrangement fees (growth by more than 4 times), 21.6% to cash collection fees (growth by 28.1%), 19.8% to guarantees and letters of credit issuance fees (growth by 35.4%), and 17.3% to settlement operation fees (growth by 19.9%).

In terms of cash collection, CREDIT BANK OF MOSCOW services not only its own network and clients, but also other financial institutions and their clients. In 1Q 2013, the number of cash collection points rose by 601 and reached the total of 9,434. Four new collection itineraries were put in place bringing their total number to 156.

The Bank's gross **loan portfolio**, representing more than 70% of its assets, expanded by 13.7% in 1Q 2013 and reached RUB 234.1 bln as of the reporting date. The corporate loan portfolio grew by 16.0% to RUB 180.3 bln and the retail loan portfolio by 6.7% to RUB 53.8 bln.

According to the *Banks of Russia Rating: first quarter 2013 results* (RBC Rating), the Bank rose to the 16th spot (from the 17th place as of 2012YE).

The volume of **trade and structured finance** transactions in the reporting period was \$170 mln which is 32.2% more than in the same period of 2012. CREDIT BANK OF MOSCOW facilitated 116 transactions year-to-date involving parties from 20 countries of the world.

**Securities portfolio** stood at RUB 43.8 bln as of 1Q 2013 which is 18.0% more than for the same period of the last year. As before, the bulk of investments are represented by highly liquid securities: 86.8% of the bonds in the portfolio are on the CBR's Lombard List.

**Retail accounts and deposits** rose 9.6% ytd to RUB 117.3 bln (representing 41.9% of the total liabilities), mostly due to an increase in term deposits.

According to the *Banks of Russia Rating: first quarter 2013 results* (RBC Rating), the Bank is number 14 by retail deposits which is one notch higher compared to 2012YE.

**Debt.** In 1Q 2013, CREDIT BANK OF MOSCOW placed RUB 2 bln 5.5-year subordinated bond issue series 12, the proceeds from which were included in the Bank's additional capital. That issue became

the Bank's second subordinated bond issue following the debut RUB 3 bln 5.5-year bonds placed last December.

Furthermore, in February 2013, the Bank placed its then all-time biggest \$500 mln Eurobond issue. It pays 7.7% coupon and has a 5-year maturity.

**The Bank's equity** as calculated under the Basel Accord increased 5.6% ytd reaching RUB 47.5 bln and the capital adequacy ratio stood at 15.4%. The Bank's equity was supported by the inclusion of the proceeds from the RUB 2 bln subordinated bond issue in its Tier 2 capital, and by retained income.

Significant subsequent events include the placement by the Bank in May 2013 of a USD 500 mln 8.7% subordinated (Tier 2) Eurobond due 2018 (5.5-year maturity). It was Russian market's *first* ever subordinated Eurobond issued under the Bank of Russia's new Basel 3 based requirements which was included in a bank's capital.

**The Bank's infrastructural development.** By the end of 1Q 2013, CREDIT BANK OF MOSCOW's branch network comprised 60 offices and 16 operational cash desks in Moscow and the Moscow Region. The Bank's branch network is ranked by RBC Rating as one of the most efficient ones. The Bank is number 5 among the top 50 banks by loan origination per outlet, number 8 by deposit portfolio per outlet and 9 by net assets per outlet.

As of 1Q 2013, the Bank had 695 ATMs and 3,670 payment terminals. CREDIT BANK OF MOSCOW ranks 2<sup>nd</sup> in Russia by the number of proprietary transaction & payment terminals and 6<sup>th</sup> in Moscow by the number of ATMs as of 1 January 2013 (RBC Rating).

In March 2013, CREDIT BANK OF MOSCOW and Alfa-Bank fully united their payment device networks, by signing an agreement unprecedented in the Russian market of financial and credit services. The united network allows customers of the both banks to withdraw cash on the same terms as from their respective bank's own ATMs, pay their loans, top up their debit or credit cards without any fees, and pay for goods and services. It now includes over 2,700 ATMs and 4,000 payment terminals, and is currently one of the largest payment device networks in the Russian banking market.

The Bank continues to increase its plastic card issuance: in the I quarter of 2013, their number rose from 857,700 to 907,400 cards.

## **Ratings**

CREDIT BANK OF MOSCOW's strong positions in the Russian and international markets are 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 "A+ (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: "B+" long-term credit rating, "B" short-term credit rating, positive outlook, and "ruA+" Russia national scale rating;
- RusRating: international scale credit rating at "BBB+", national scale credit rating at "AA+", stable outlook.

In 1Q 2013, Standard and Poor's upgraded CREDIT BANK OF MOSCOW's ratings outlook to "Positive", while in May Moody's upgraded the Bank's national scale rating to "A1.ru" and affirmed its international scale ratings.

## **Background details**

CREDIT BANK OF MOSCOW was founded in 1992. It holds general license No. 1978 issued by the Bank of Russia. As at 1Q 2013, the Bank ranked 18th largest bank in Russia by net assets (RBC Rating).

CREDIT BANK OF MOSCOW is a universal commercial bank providing the full range of banking services. The Bank focuses on Moscow and the Moscow Region. The Bank has been covered by the Russian Deposit Insurance System since 2004.

85% of the shares in CREDIT BANK OF MOSCOW are held by "ROSSIUM Concern", LLC, whose stake is beneficially owned by Mr. Roman Ivanovich Avdeev.

7.5% of the shares are held by the European Bank for Reconstruction and Development, 2.9% by International Finance Corporation (IFC) and 4.6% by RBOF Holding Company I, Ltd. (100% owned by IFC Russian Bank Capitalization Fund belonging to the same group of companies as IFC).

The Bank is rated B1/B+/BB- (M/S&P/F).

## **Contact information**

**Pavel Voronov**

**Vice President, Director of International Business Division**

**telephone:** 797 42 22 ext. 6200

[voronov@mkb.ru](mailto:voronov@mkb.ru)

**Elena Finashina**

**Deputy Vice-President/Director of International Business Division**

**telephone:** 797 42 22 ext. 6202

[finashina@mkb.ru](mailto:finashina@mkb.ru)

**Alexander Uvarov**

**Chief Manager of Investor Relations Unit**

**telephone:** 797 42 22 ext. 6217

[uvarov@mkb.ru](mailto:uvarov@mkb.ru)