CREDIT BANK OF MOSCOW

# Annual report 2012

From good to great —
one bank


# 1

## Address of the Chairman of the Supervisory Board and Chairman of the Management Board of the Bank



CREDIT BANK OF MOSCOW

To achieve its objectives, the Bank has all necessary resources and adopted development strategy together with ongoing positive changes in terms of corporate governance undoubtedly contributes to this

**Sandy Vaci**
Independent director,
Chairman of the Supervisory Board of the Bank

## Dear shareholders, investors and partners!

I am honoured to present to you CREDIT BANK OF MOSCOW's annual report for the year 2012, a special year for us due to a series of landmark events. The sheer number of these events underscores the Bank's strong position and reliable reputation in the Russian financial services market, its stable development, the uniqueness of its business model, its indisputable competitive advantages in a number of business areas, and availability of necessary resources and capacity to maintain its successful performance and ensure further high-quality growth.

One of the Bank's key events in 2012, which served as the starting point for active review and optimisation of its internal procedures, and which set the bar and a frame of reference for its further development, was its ownership structure becoming diversified with investments from the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). This was certainly another milestone in the Bank's strategic development and the first step on the road to an IPO anticipated on a five-year horizon. Apart from helping the Bank implement its business development and market expansion plans, the arrival of new shareholders will also play a vital role in the improvement of corporate governance standards, whose level increasingly acquires importance in the evaluation of companies going public. The Bank's new shareholders fully endorse the views of both the majority shareholder and the Supervisory Board on the Bank's strategic development and key targets, which will also facilitate further work on the Bank's strategy and ensure that strategic planning decisions are balanced and consistent.

In 2012, the Supervisory Board approved the Bank's 2012-2017 development strategy. It is focused on active penetration into the retail segment, while capitalising on the Bank's long-standing strong franchises such as lending to trading companies (retailers, wholesalers etc.) and provision of cash collection services. The Bank's business planning implies medium-term presence in the Moscow region as a strategic choice and steady growth surpassing the market while maintaining the key qualitative performance indicators at a high level. The development strategy approved in 2012 is regularly reviewed and updated to be in line with existing market trends and the Bank's developmental priorities.

Despite being present in a sole region of Russia, the Bank has already 20 years of experience proving that its chosen development path helps it not only to stand out among competitors and expand its market share, but also to claim leadership in certain business areas. Furthermore, the Bank is Russia's biggest regional bank, whose region of presence, Moscow and Moscow Region dominates the national GDP structure and serves as the country's financial centre, offering the highest concentration of the customer base strategically interesting for the Bank. Although facing strong competition in its region of presence, the Bank firmly holds on to its niche using special channels and technologies to sell its products and monitor risks. Based on successful experience of the past years and analysis of market trends, we are convinced that the Bank's region of presence has a sizeable potential for future quality growth, while the Bank's particular business model makes it possible in the long run to reproduce and fine-tune, in other regions, business processes set up in the current region.

The year 2012 saw the Bank continuing to improve its corporate governance standards and build its corporate system in accordance with international best practices. Corporate governance decision-making was enhanced, among other things, by creating the Remuneration, Corporate Governance and Appointment Committee, which has already played a role in formulating good governance oriented recommendations and approving a corporate governance standards improvement plan. One of the priorities in this area is seen by the Bank in increasing its information transparency for the investment community. This has already made itself clear in the quality and scope of the Bank's disclosure.

As for the background of Russian banking sector's development in 2012, the market situation remained quite favourable. This was partly due to energy and resource prices being high on average during the reporting period, albeit somewhat declining by the year-end. At the same time, national GDP and investments showed slower growth against the backdrop of the global economic crisis. It goes without saying that Russian banks' stability is, and has been, largely reliant on the real sector and exposed to such external factors as oil prices and situation in European countries.

Throughout 2012 consumer lending still tended to grow faster than other types of lending after a downswing amid the crisis. This trend, together with obviously decreasing capital adequacy across the banking sector, is not ignored by the Central Bank of Russia which already toughened its provisioning requirements. From our viewpoint, the regulator's actions look reasonable and justified, and even positive for the Bank to a certain extent. Many market players may run short of capital for aggressive expansion of their retail portfolios, which will be an opportunity for the Bank to increase its market share thanks to its sufficient capitalisation, reinforced capital structure and relatively low retail loan rates compared to consumer finance banks.

In general, we expect that in 2013 the Bank will continue to show positive dynamics of its key financial indicators and will be able to consolidate its market positions in its main areas of business, especially in lending to customers and raising retail deposits. The Bank's objective for the next year is not only to keep growing steadily ahead of the market, but also to promote its strategic importance on the national scale. I can state with certainty that the Bank has all necessary resources to achieve its targets, while its recently adopted development strategy, coupled with beneficial changes introduced in its corporate governance, undoubtedly helps it to succeed.

2012 was a special year for CREDIT BANK OF MOSCOW. That year, when the Bank celebrated its 20th anniversary, became one of the most successful periods in its history, and was full of landmark events that allowed the Bank to make a significant step towards achieving its strategic goals.

**Chubar Vladimir**
Chairman of the Management Board

2012 was marked by an important event that will shape the Bank's future development. It was the signing, on July 20, 2012, by EBRD, IFC, CREDIT BANK OF MOSCOW and its shareholder of agreements whereby EBRD and IFC purchased 15% of the Bank's shares for RUB 5.8 bln in total, each of them taking a 7.5% stake.

The arrival of the new shareholders, EBRD and IFC, opened new opportunities for growth, implementation of business development and market expansion plans, reinforcing capitalisation and promoting relationships with the Bank's partners, investors and customers, both existing and prospective.

In 2012, CREDIT BANK OF MOSCOW showed high financial indicators, expanded operations in its main areas of business and retained high efficiency. These results stem from the comprehensive strategic planning and thorough work done by the entire team of the Bank.

For instance, the Bank earned RUB 5.8 bln of net income under IFRS, which is the absolute maximum in all of the 20 years of the Bank's operations.

The Bank grew ahead of the market in effectively all areas of business. The Bank's retail loan portfolio soared by 69.3% without compromising its high quality. By actively raising private deposits during the year, the Bank grew its retail deposit portfolio by 25.4% to RUB 107.0 bln.

The Bank's increasing success in retail business is due not only to its individual approach to each customer and attractive product proposition, but also to its wide service network and customer-oriented internet-banking system. Having enabled its remote service channels to support as many simple operations as possible, the Bank allows its customers to save their time and its branch staff to make better use of their work time.

In 2012, the Bank opened its biggest retail service centre in Tsvetnoy Boulevard. Customer service there is delivered with high quality and maximum comfort by means of cutting-edge technologies.

Corporate banking is a key area in the Bank's business model, with particularly strong positions in the cash collection market serving as the basis for effective risk control.

The Bank's cash collection services enable it to monitor and control its borrowers' credit risks by identifying any warning signs of liquidity constraints at an early stage.

The Bank paid special attention in 2012 to developing corporate banking products and services. For example, it launched a new cash management service called 'Customer's Settlement Centre' which was warmly welcomed by customers. This service allows corporate customers to promptly manage liquidity, allocate cash flows among their subdivisions and accelerate implementation of managerial decisions and transactions in the framework of settlement and cash services.

The growing number of retail and corporate customers speaks of high trust in the Bank and its exclusive reputation in the financial services market.

This is particularly important as the Bank's operations are concentrated in the most economically appealing, but at the same time highly competitive region of Russia. Prompt decision-making, wide product proposition, high quality service and individual approach to each customer, whether in the corporate or retail segment, help the Bank win the battle for quality and reliable customers.

The Bank's thought-out strategy and the resulting achievements of 2012, as well as its steadiness and informational openness induce well-deserved trust among investors and international rating agencies. This trust was evidenced when the Bank raised its all time biggest USD 308 mln syndicated loan. The facility pays 240 bp (2.40%) over six-month LIBOR and has 1 year maturity, the lenders being leading international and Russian financial institutions.

In 2012 the Bank made active preparations for a $500 mln Eurobond issue. The deal was priced in January 2013. That issue became the Bank's all-time largest transaction. It pays a coupon of 7.7% p.a. and has a 5 year maturity.

The Bank's strong positions in the Russian and international markets are confirmed by the leading rating agencies. In 2012, Fitch Ratings and RusRating upgraded the Bank's ratings by one notch. Fitch Ratings assigned an Issuer Default Rating of "BB-", stable outlook, and RusRating assigned an international scale credit rating of «BBB+», national scale credit rating at "AA+", stable outlook. Moody's affirmed ratings of the Bank, and in March 2013 Standard and Poor's upgraded the outlook of CREDIT BANK OF MOSCOW ratings.

The success of any financial institution is inseparably linked with customers' trust and a congenial professional team. As the Bank's business develops, its team grows and gets stronger, but the professionalism and high commitment of its employees remain unchanged.

Busy though it is creating new products and services, upgrading its technological platforms and increasing the number of customers, the Bank does not forget its social responsibilities. 2012 was a special year for the Bank, the year of its twentieth anniversary celebrated by the Bank in the company of its customers. On August 18, CREDIT BANK OF MOSCOW gathered the best teachers and tutors from children center for creative activities in the Gorky Central Park of Culture and Leisure. Together with their parents, little Muscovites were able to participate in interactive master classes and see performances given by circus, acrobatics, theatre and music artists from all over the world.

The Bank plans to achieve more in 2013. The Bank is to promote all of its priority lines of business. Its main objective is to remain one of the most efficient and stable privately owned banks in Russia and to provide high-quality services. The Bank's strategy seeks to gradually increase the proportion of retail banking in its overall business. As for growing its retail banking customer base, CBM plans, first of all, to acquire new reliable retail banking customers from among the employees of its corporate banking customers. Its targeted market segments in retail lending will be general-purpose loans and credit cards. The Bank has already penetrated well into those retail business segments and sees a huge growth potential there.

The key goals set by CREDIT BANK OF MOSCOW for 2013 include improvement of its corporate governance system, development of its risk management systems and upgrade of its IT infrastructure. A precondition for tackling the tasks facing the Bank is development of information technologies. The Bank's IT strategy is to develop, optimise, and improve robustness of, its IT systems. By enhancing its IT capabilities, the Bank expects to make most of its business processes more cost- and time-efficient. This will enable the Bank to visibly strengthen its competitive positions, make its banking products more attractive and improve the quality of customer service, for it is the customers' appreciation and trust that the Bank has sought for 20 years. In the next year, the Bank's team will do its best to see more and more companies and individuals choosing the Bank as their financial assistant and partner.

Capital +53%

Profit +49%

Assets +33%

# 2

## Overview. Key financials



CREDIT BANK OF MOSCOW

Established in 1992, CREDIT BANK OF MOSCOW is a universal commercial bank, the main purpose of which is to provide high quality banking products and services to its corporate and retail clients. The Bank is headquartered in Moscow, and is registered as an open joint-stock company operating under general banking licence No. 1978 issued by the CBR. The Bank provides its clients with a comprehensive range of banking services, including corporate and retail lending, cash collection and delivery, guarantees and letters of credit, trade finance, factoring, leasing, deposit-taking, settlements, plastic card services and foreign exchange operations.

The Bank currently operates exclusively in Moscow and the Moscow region (other than a small part of its cash collection and delivery business which is conducted in regions neighbouring the Moscow region), as it considers these markets to be the most promising for its future business development. As at 31 December 2012, the Bank had 60 branches, 14 cash offices, 694 ATMs and 3,906 payment terminals. As at 31 December 2012, the Bank was the 19th largest bank in Russia based on net assets according to RBC Rating and the 23rd largest bank in Russia based on the size of its equity capital according to Interfax-100, based on Russian Accounting Standards (RAS).

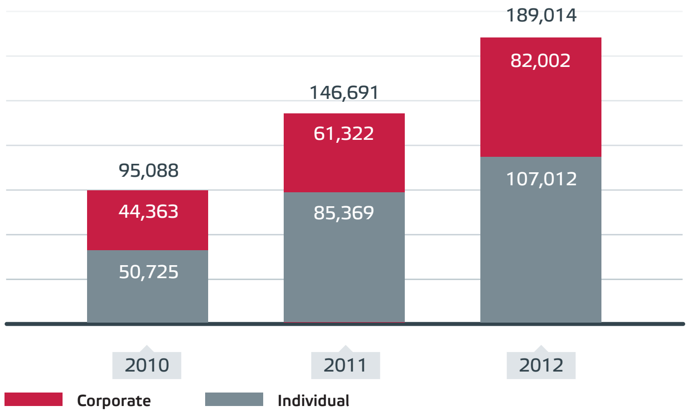
Corporate banking is the Bank's core business area, representing 75.5% of total gross loans to customers as at 31 December 2012. The Bank's strategy includes aiming to increase the size of its retail banking business as a percentage of its overall business. However, the Bank expects corporate banking to continue to represent the majority of the Bank's overall business for the foreseeable future.

The Bank is one of the market leaders in providing cash collection and delivery services to businesses in Moscow and the Moscow region. It was the 3rd largest cash collection and delivery service provider in Moscow, according to an Interfax survey conducted in 2011. A large portion of the Bank's client base is comprised of major trading companies which make use of the Bank's cash collection and delivery services because of their cash-intensive businesses.

As of end-2012, the Bank's shareholders were Mr. Roman Avdeev (85%), EBRD (7.5%), IFC (2.9%) and the IFC Russian Bank Capitalization Fund (4.6%). Mr. Avdeev acquired 100% of the Bank in 1994, and in August 2012, EBRD and IFC each acquired a 7.5% equity stake in the Bank by purchasing newly-issued shares of the Bank. In December 2012, IFC transferred a 4.6% equity stake to the IFC Russian Bank Capitalization Fund, which forms a group of companies with IFC.

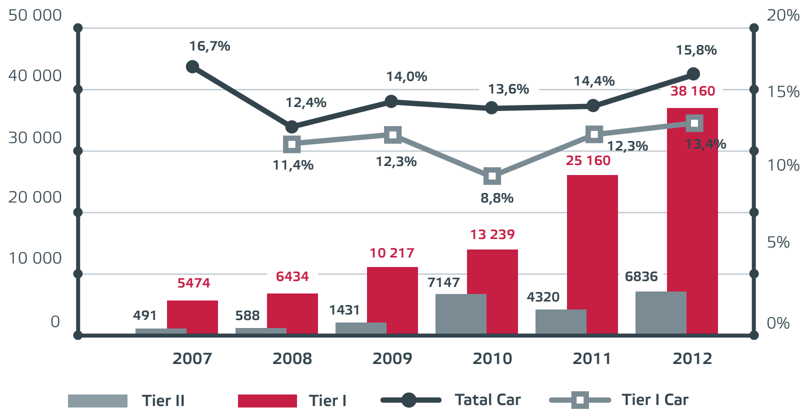
As at 31 December 2012, the Bank's total assets exceeded RUB 308.7 billion, net income was RUB 5.8 billion and the Bank's equity was RUB 39.3 billion.

## Customer accounts



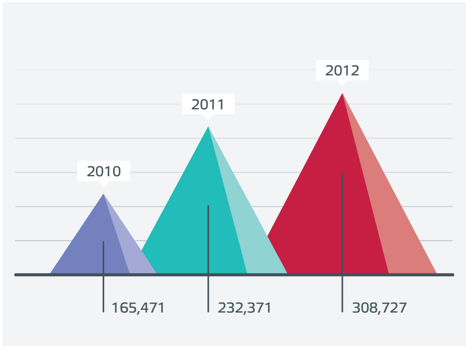

RUB mln

## Capital equity



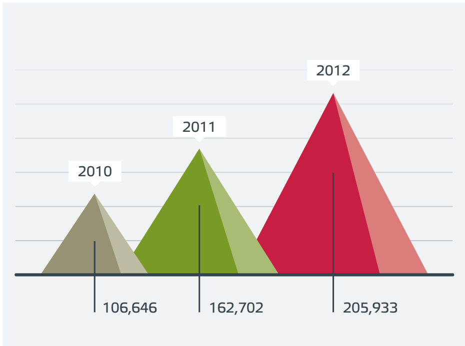

RUB mln

## Total assets*



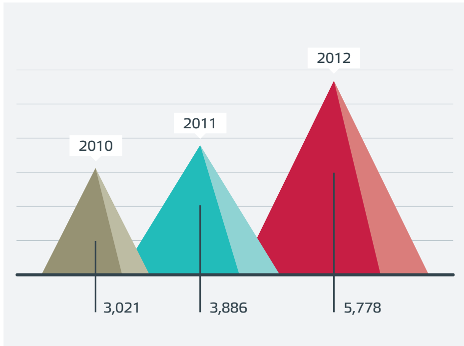

RUB mln

## Loan portfolio



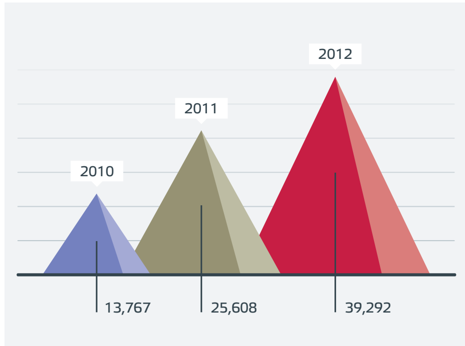

RUB mln

## Net income




RUB mln

## Total equity




RUB mln

* CREDIT BANK OF MOSCOW means CREDIT BANK OF MOSCOW (open joint-stock company) and its subsidiaries consolidated in IFRS accounts for the years ended 31 December 2012, 2011 and 2010. Here and hereafter figures are stated according to IFRS accounts, unless specified otherwise.

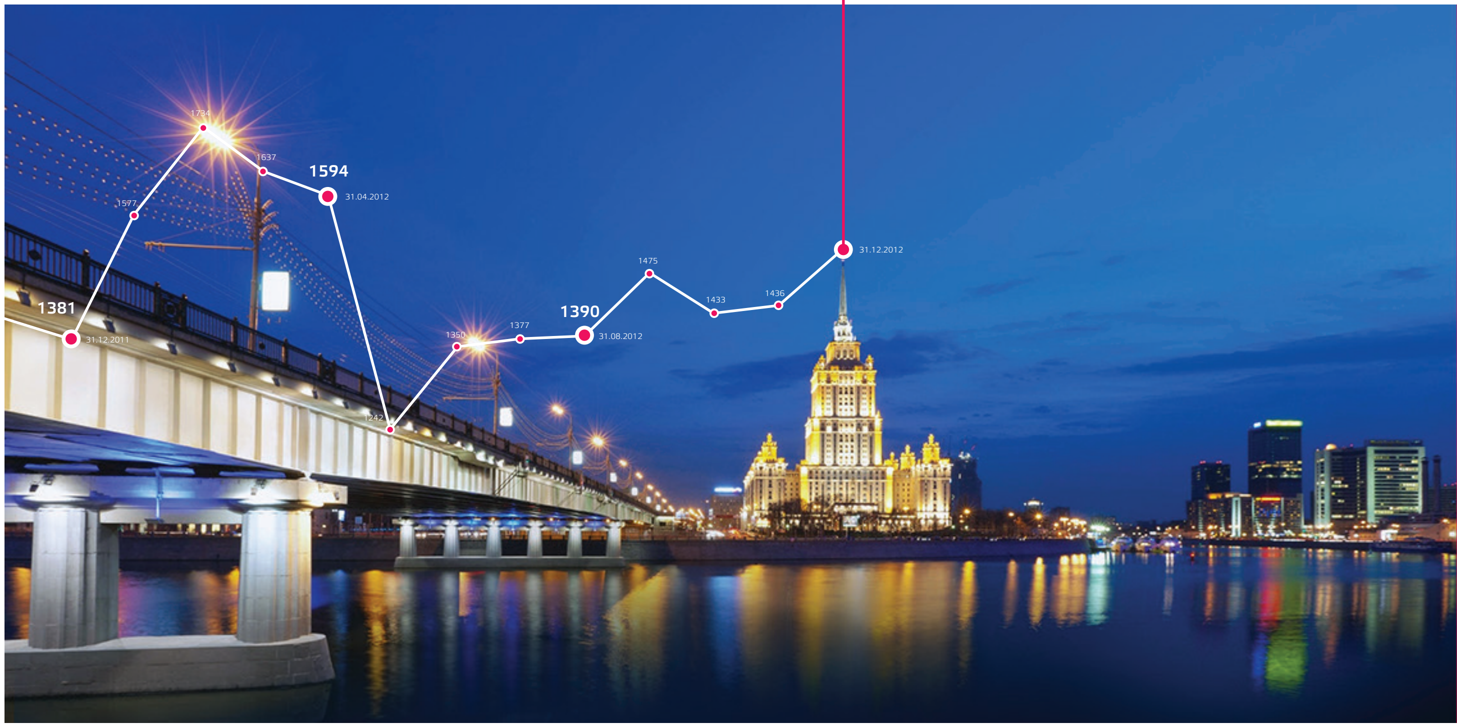
## Main financial results of the Bank by the end of year 2012

| Key financial indicators | 2012 RUB mln | 2011 RUB mln | Change % |
|---|---|---|---|
| Assets | 308 727 | 232 371 | 32,9 |
| Liabilities | 269 435 | 206 763 | 30,3 |
| Capital (Basel Committee methodology) | 44 996 | 29 480 | 52,6 |
| Loan portfolio (less provisions) | 201 235 | 159 020 | 26,5 |
| NPLs (loans overdue by more than 90 days) | 1 967 | 1 765 | 11,5 |
| Net profit | 5 778 | 3 886 | 48,7 |
| Net interest income (before provisions) | 12 241 | 8 724 | 40,3 |
| Fee and Commission income | 4 106 | 2 937 | 39,8 |

| Key financial ratios | 2012 % | 2011 % |
|---|---|---|
| Capital adequacy (CAR) | 15,8 | 14,4 |
| Share of NPL (loans overdue by more than 90 days) in Gross loan portfolio | 1,0 | 1,1 |
| The ratio of allowance for loans overdue over 90 days (NPL) | 238,9 | 208,6 |
| Net interest margin (NIM) | 5,2 | 5,0 |
| The cost-to-income ratio (C/I ratio) | 40,5 | 39,8 |
| Return on equity (ROE) | 17,8 | 19,7 |
| Return on assets (ROA) | 2,1 | 2,0 |

**1527**

RTS index at the end of 2012




# 3

## Economy, banking sector and situation in industry



CREDIT BANK OF MOSCOW

## GDP and inflation

Russia's economy grew by 3.4% in 2012, a slightly slower pace compared to 2011. Nevertheless, Russia's GDP growth in 2012 was the highest among the G8 countries. Wholesale & retail trade and financial services were the main drivers of the country's GDP growth in 2012. Noteworthily, the past 5 years saw the mining industry growing at a much slower rate than other industries, such as agriculture & forestry, trade, transport and communications. This is evidence that Russia's economy is gradually diversifying.

According to the Russian Ministry of Finance, the nominal GDP in 2013 will be about 66.5 trillion roubles, while the growth in real terms will be 3.4% - 3.6%.

The inflation rate in 2012 was 6.6%, slightly higher than the historic low recorded in 2011 (6.1%). Increase in food prices was the main driver of inflation in 2012.

## Oil price

In 2011 and 2012, average oil prices were almost held at the stable level — $110 per barrel (URALS oil brand). Under the baseline scenario of the development of the Russian economy, the Bank of Russia expects that the price per barrel may be $97 dollars in 2013. This option reflects the economy's development amid active government policies aimed at improving the investment climate, increasing competitiveness and business efficiency, stimulating economic growth, modernizing and increasing the efficiency of budget expenditures.

## Employment and personal income

One of the major positive factors in Russia's economic development in 2012 was abating unemployment to the all time low 5.9%. In line with the long-term forecast on Russia's socio-economic development till 2030, the overall unemployment rate among the economically active population could fall to 4.4% by 2030.

According to the Russian Ministry of Economic Development, unemployment rate will fall due to measures taken that were aimed at increasing the economic activity of people of retirement age by reducing the number of young people who are most at risk of unemployment, and by bringing in foreign labour. However, in the coming years, Russia's demographic situation in general will lead to a shift in the distribution of the country's population towards older age.

According to Rosstat preliminary data, real disposable income of Russians grew by 4.2% in 2012 compared to 2011. Over the past year, per capita income grew by 10% to reach 22,821 roubles, according to preliminary data.

## Exchange rate

Amid the minor foreign exchange interventions carried out by the Bank of Russia in 2012, the exchange rate of the Russian rouble depended almost solely on market forces. During the year, the exchange rate followed the dynamics of global oil prices and stabilized at 30-31 roubles per dollar by the end of 2012. The Bank of Russia is expected to this year also adhere to the floating exchange rate policy. According to forecasts, the exchange rate will be 31.9 roubles per dollar by the end of 2013.

## Russian banking sector in 2012

Looking back, the banking sector of Russia in 2012 can be noted for a strong 39.4% annual growth of the retail loan portfolio, despite quite high interest rates in the system and liquidity issues, especially in mid-2012.

### General information about financial institutions

According to the Bank of Russia ("CBR"), the total number of registered financial institutions as of 01.01.2013 was 1,094 (minus 4 in 4Q2012 and 18 since 2011 year-end), of which 956 are active.

2012 witnessed further consolidation in the banking sector, but at a slower pace owing to the limited capital of banks (capital adequacy on the whole declined by 1.0 p.p. in 2012 to 13.7%). While in 2010 and 2011 there were 19 banks to undergo this procedure, in 2012 there were only 6.

One of the factors conducive to consolidation of the banking sector in Russia is that the minimum bank capital requirements become stricter. On January 1, 2012 the minimum capital requirement for active banks was raised from RUB150m to RUB180m, and starting from 2015 it will be RUB 300m. Today only 65% (approx.) of Russian banks have equity in excess of RUB 300m. It is clear that some will fail to reach the required level in the next 2 years. Thus, further consolidation of the sector is inevitable.

### Asset growth and concentration

In 2012, the aggregate assets of Russian banks rose 18.9% against 23.1% in 2011. In 4Q2012 the growth was 8%.

The competition from the top 5 Russian banks grows further, albeit at a slower rate. According to the Central Bank, the 5 biggest banks held 50.0% of the assets as of January 1, 2012, ending the year with 50.3%. The top 20 banks' share declined by 0.7 p.p. to 19.5% as of 2012YE.

### Loan portfolio and its quality

The aggregate loan portfolio of Russian banks expanded by 19% in 2012 (+28.2% in 2011).

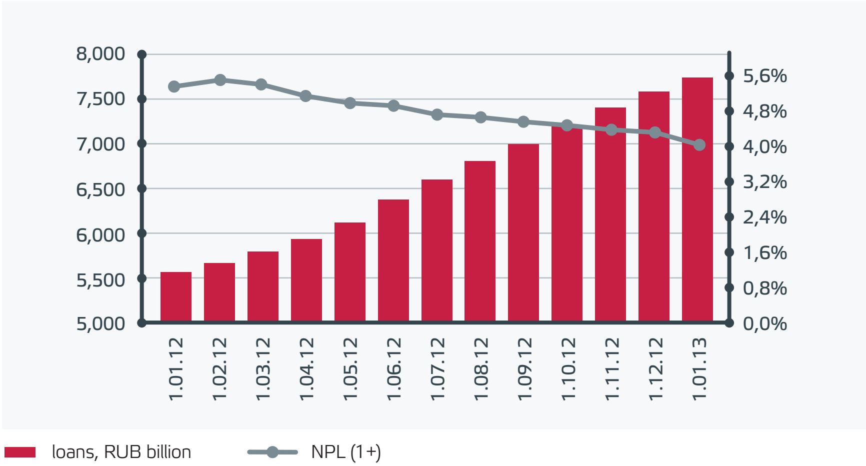
This expansion was mainly driven by retail loans which grew 39.4% in 2012 (+35.9% in 2011).

The corporate loan portfolio growth slowed down to 12.7% in 2012 (+26% in 2011) as interest rates rose noticeably (from 9.6% to 10.4% on average across the market) and the demand from corporate borrowers subsided.

The share of overdue loans in the retail loan portfolio went down to 4.05% in 2012 from 5.24% in 2011, as the latter expanded substantially. In absolute terms, retail loans overdue rose 7.5% in that year.

The share of overdue loans in the corporate loan portfolio barely changed and amounted to 4.63% in 2012 (4.64% in 2011). In absolute terms, it rose 12.3%.

## Retail loans




Source: CBRF

As interest rates are quite high, as the macroeconomic situation remains difficult in Russia and globally, and as CBR's bank capital adequacy requirements get more rigorous, 2013 can be expected to see a weaker loan portfolio growth. While in 2012 the loan portfolios of many banks grew largely thanks to the retail sector, 2013 is expected to observe a slowdown in that segment as well. We estimate that the overall loan portfolio of the market will increase by 15-17% and its retail portion by 25-27% in 2013.

### Deposit base

Corporate deposits grew 15% in 2012 (+38.6% in 2011).

Retail deposits increased 20% in 2012 (+20.9% in 2011). Traditionally, the peak growth occurred in 4Q2012.

Given low expectations as to the real household income growth in 2013 and the potential reduction in deposit rates, and considering the effect of already quite high basis, 15-17% growth of retail deposits is anticipated.

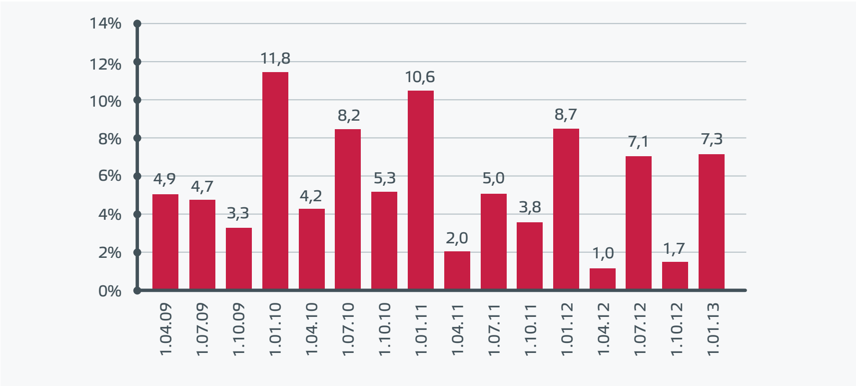
### Inerest rates

The liquidity strain in 1H 2012, along with the refinancing rate increased in September by 0.25 p.p. to 8.25% resulted in higher cost of funding from both retail and corporate sources, which, in its turn, pushed up loan rates.

As lending is expected to grow at a slower pace in 2013 and provided that capital markets remain relatively stable, interest rates can be expected to slightly decline in 1H 2013. On top of the aforesaid factors, interest rates can be further influenced in 2H 2013 by CBR's decision to decrease or increase the refinancing rate based on the inflation pressure and economic growth rate in 1H2013.

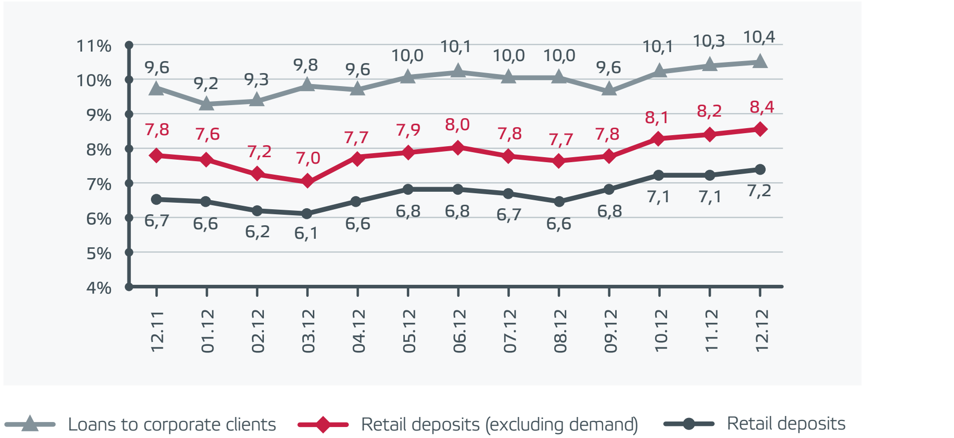
It is worth noting that potential new regulatory actions by CBR may also have an impact on deposit interest rates. In addition to the regulator's scrutiny in respect of the banks who take deposits at interest rates higher than the market average (+2 p.p. to the average maximum deposit interest rate calculated for the top 10 banks), CBR and the Deposit Insurance Agency currently consider raising quarterly contributions to the Deposit Insurance Fund (from 0.1% up to 0.14% of deposits) for such banks.

## Retail deposit base growth rate (quarterly)




Source: CBRF

## Average deposit rates of banks in Russia, excluding Sberbank (RUB)




Source: CBRF

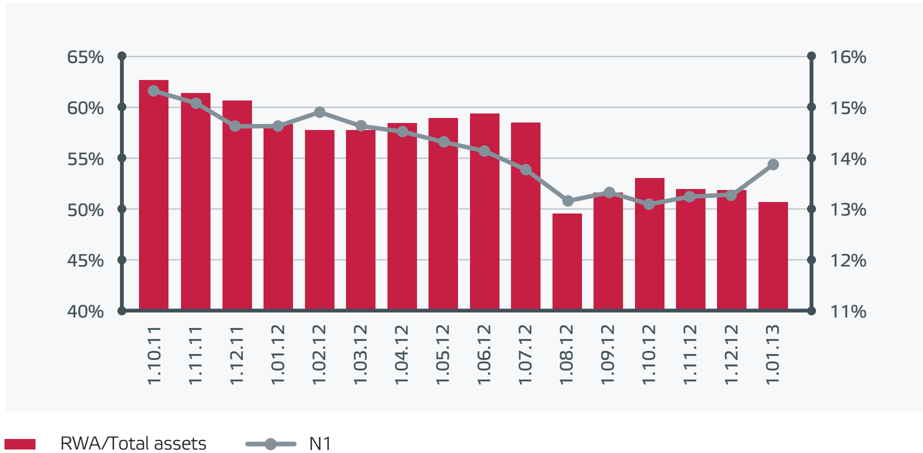
### Earnings

In 2012, Russian banks earned record high RUB1,011.9bln, i.e. 19.3% more than in 2011. Note that the higher income is largely attributable to the business expansion (asset growth), rather than to improved operational efficiency.

### Capital adequacy

In 2012, Russian banks' capital adequacy ratio declined by 1 p.p. to 13.7%. The key pressure on this ratio stems from the new operational risk weighting requirements (the weight is now 100% instead of 70%) and from the imposition of multipliers for certain transactions. Furthermore, the Central Bank, being concerned with a consumer lending boom in 2012 toughened the provisioning requirements for consumer loans (for both performing unsecured loans and loans overdue up to 30 days and over 1 year).

## Capital adequacy




Source: CBRF

Thus, the pressure on the capital will remain, while the ability of banks to raise adequately priced additional capital, whether by issuing new shares and finding new shareholders or by raising subordinated loans, remains limited under the current market conditions.

### Liquidity and CBR funding

The liquidity situation was rather difficult, especially in the 2nd and 3rd quarters of 2012.

Early 2013 has witnessed a certain improvement of the liquidity situation. However, as soon as by the end of 1Q a sizeable portion of funds accumulated by banks will be drained by tax payments. Furthermore, the expected slowdown of deposit growth in 2013 and the still rather high cost of market funding we believe will continue to affect liquidity in the sector.

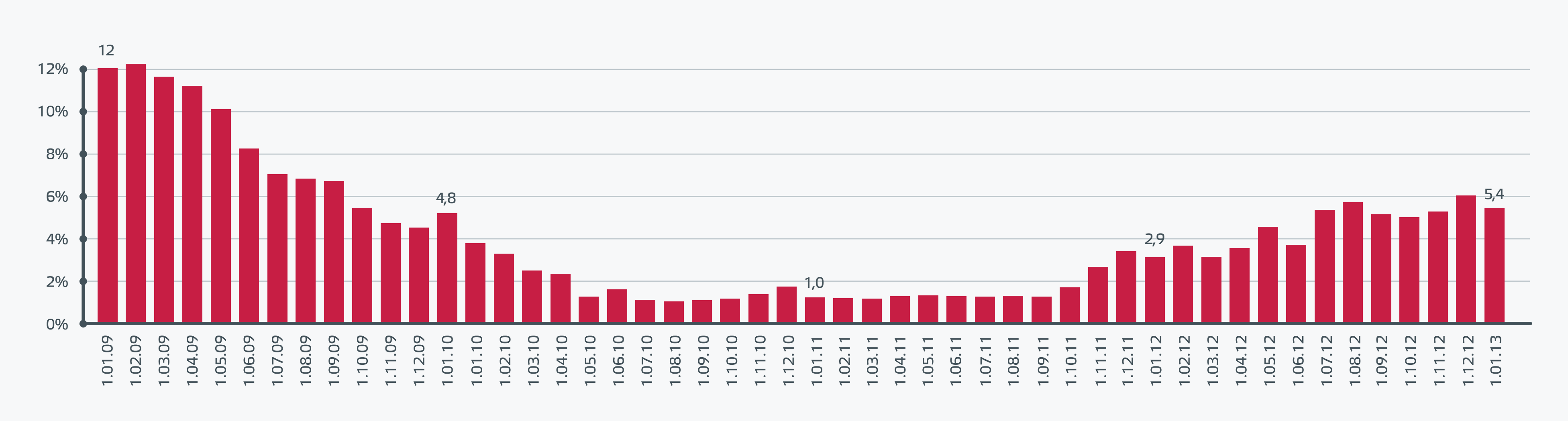
As limited liquidity affected operations of Russian banks, their dependence on CBR became much stronger. The proportion of funding raised by Russian banks from CBR grew from 2.9% as at January 1, 2012 up to 5.4% as at January 1, 2013. The current level of Banks' reliance on governmental funding matches that of late 2009 - early 2010.

Russian banks will continue to be supported by CBR. As of January 1, 2013 financial institutions' indebtedness to the regulator stood at RUB 2.7 trln. CBR estimates the current range of pledgeable instruments to be enough to refinance banks for up to RUB 5 trln.

## Position in the industry

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

## **Funds raised from the Bank of Russia** (% of liabilities)




Source: CBRF

### Ratings and rankings

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 A2.ru, stable outlook;

Standard & Poor's – «B+» long-term credit rating, «B» short-term credit rating, «ruA+» Russia national scale rating, positive outlook;

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

In 2012 Fitch Ratings and RusRating upgraded the Bank's ratings by one notch, Moody's affirmed its ratings, while Standard and Poor's upgraded the outlook of CREDIT BANK OF MOSCOW's ratings in March 2013.

| Key rankings/awards | 2012 |
|---|---|
| **Major Private Banks without Majority Interest of State (by Assets)**<br>Source: Banki.ru-as per RAS, as at 01.01.2013 | **No. 7** |
| **Major Russian Private Banks by Equity**<br>Source: Profil journal, as at 01.01.2013 | **No. 7** |
| **Reliability Ranking**<br>Source: Forbes journal (Banks without majority interest of state or/and foreign institutions), as at 01.01.2013 | **No. 3** |
| **Cash collection Ranking Moscow/Russia** (14% of the market)<br>Source: Interfax as at 1 January 2011 | **No. 3 / 4** |
| **Ranking by Factoring Portfolio**<br>Source: Association of Factoring Companies, as at 01.01.2013 | **No. 6** |
| **Most active issuing Bank in various categories under Trade Finance Programmes of EBRD** (2010 and 2011) **and IFC** (2008, 2009, 2010, 2011) | **No. 1** |

| Key rankings/awards | 2012 |
|---|---|
| **Ranking by Individual Deposits**<br>Source: RBC Rating, as at 01.01.2013 | **No. 15** |
| **Ranking by the number of payment terminals**<br>Source: RBC Rating, as at 01.01.2013 | **No. 2** |
| **Ranking by the number of ATMs in Moscow**<br>Source: RBC Rating, as at 01.01.2013 | **No. 6** |
| **Best Internet Banking System in 2012**<br>Source: Banki.ru, February 2013 | **No. 3** |
| **Top-50 banks by loans per outlet**<br>Source: RBC Rating, February 2013 | **No. 5** |
| **Top-50 banks by deposits per outlet**<br>Source: RBC Rating, February 2013 | **No. 8** |

## Ranking of Russian Banks

| Indicator | 2012 | | 2011 |
|---|---|---|---|
| Assets | No. 19 ▲ | + 2 | No. 21 |
| Corporate loans | No. 15 ▲ | + 2 | No. 17 |
| Retail loans | No. 26 ▲ | + 2 | No. 28 |
| Loan portfolio | No. 17 ▲ | + 2 | No. 19 |
| Deposits | No. 18 ▲ | + 2 | No. 20 |
| Corporate deposits | No. 20 ▲ | + 3 | No. 23 |
| Retail deposits | No. 15 ▼ | – 1 | No. 14 |
| Profit | No. 18 ▲ | + 18 | No. 36 |

Source: «RBC Rating», 01.01.2013


### Geography of presence

The Bank's operations are concentrated in Moscow region as the most promising for business development. As at end-2012, the Bank's network comprised 60 branches, 14 cash offices, 694 ATMs and 3,906 payment terminals.

In December 2012 CREDIT BANK OF MOSCOW and Alfa-Bank united their ATM networks and in March 2013 their terminal networks. The united network now includes 6,700 machines: 2,700 ATMs and 4,000 payment terminals, and is currently one of the largest payment device networks in the Russian banking market. Now customers of both banks can withdraw cash, pay their loans, top up their debit or credit cards without any fees, and have better access to banking services through self-service devices of either of the two banks.

### Competitive strengths

The Bank has a number of competitive advantages in the Russian banking market, including:

### Established position in the Moscow banking market

The Bank's network covers generally Moscow and the Moscow region which are the most developed and financially-active areas in the Russian Federation,. The Bank's network serves as an effective physical platform for offering its products, including developed point-of-sale network for servicing retail banking clients. The Bank's branches are located to provide maximum convenience to its customers and have long opening hours to suit the needs of its retail customers. Because its business is focused on one region of presence, the Bank has lower operational costs than most of its competitors and is not exposed to the risks and costs involved in managing an extensive regional branch network.

### Flexible and innovative approach to services

Across all of its business areas, the Bank takes an individualised approach to its customers and seeks to be as flexible as possible in supporting its clients in various circumstances and with various needs. The Bank's proven procedures and focus on Moscow and the Moscow region enable it to be flexible with policies where appropriate and to make decisions more quickly than many of its competitors. The Bank offers its customers a fast decision-making process on loan applications, while at the same time maintaining high standards of credit risk management. The Bank aims to provide a high-quality customer service, including a faster decision-making process, in order to provide consumers with an alternative to state-owned banks and banks with foreign capital.

The Bank utilises advanced information technology to providing its customers with user-friendly services, and it is expanding its retail operations through the provision of innovative products and 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 advanced and efficient. This allows the Bank's client relationship managers to monitor and analyse the overall operations of each individual client within the Bank. As part of its strategy, the Bank is actively developing new delivery channels for customers, including the delivery of a wide range of banking products and functionality through full scale branches, retail outlets (cash advance outlets for corporates and retail customers, ATMs, payment terminals), and remote banking through the use of Client-Bank Electronic Payment Systems, CBM Online Banking System and mobile applications.

### Resilient business model focused on corporate banking

A key area in the Bank's business model is corporate banking where the Bank, unlike its competitors, has an extra tool to monitor and control the risks such as well-developed cash collection service which assists the Bank in monitoring and controlling the credit risks of borrowers by identifying any warning signs of customers' liquidity constraints at an early stage. Furthermore, the Bank has the ability to offer specialised products to its customers such as lending against collected revenue. Retail and wholesale trading businesses that use the Bank's operations services represent over 50% of the Bank's total loan portfolio.

The cash collection and delivery segment of the market also has substantial industry entry barriers, as only well-established businesses of sufficient scale can perform such services efficiently. Cash collection is a profitable segment for the Bank: for the year ended 31 December 2012, 24.4% of the Bank's fee and commission income was generated from its cash collection and delivery services, compared to 25.6% for the year ended 31 December 2011.

### Quality and liquidity in loan and securities portfolios

The Bank's NPLs together with renegotiated loans amounted to RUB 2.2 billion, or 1.1% of the gross loan portfolio, as at 31 December 2012, as compared to RUB 2.7 billion, or 1.6% of the gross loan portfolio and RUB 2.9 billion or

2.7% of the loan portfolio, as at 31 December 2011 and 2010, respectively. The Bank's low NPL rates compared to other Russian banks are a result of its focus on quality corporate borrowers, such as retail business chains and top-tier companies, and on retail banking customers who are employees of the Bank's corporate banking clients. The high quality of the Bank's loan portfolio is also a result of the Bank's monitoring its clients, many of which regularly use the Bank's cash collection services and the Bank's conservative risk management practices, which were substantially improved in 2009.

A considerable part of the Bank's loan portfolio is of short maturities and therefore carries lower credit risk. Of the Bank's net loan portfolio as at 31 December 2012, RUB 77.8 billion or 38.7% had a maturity of more than one year, RUB 35.5 billion or 17.6% had a maturity profile of between six months and one year, RUB 28.3 billion or 14.1% had a maturity of between three months and six months and RUB 58.4 billion or 29.0% had a maturity of between one day and three months. The Bank also has a relatively high level of diversification in its loan portfolio across economic sectors, and it continues to pursue a policy of high loan portfolio diversification as a means of lowering credit risk.

The Bank's securities portfolio is an instrument of additional liquidity. The Bank has a policy of maintaining a low level of engagement in high-risk products such as shares and securities of limited liquidity. As at 31 December 2012, 0.07% of the securities in the Bank's proprietary securities portfolio were equity securities, and 76.3% of the Bank's total bonds portfolio was composed of securities from the CBR's Lombard list.

### Long-term relationships with strategic international partners

The Bank has multi-year relationships with several international financial institutions, such as EBRD, IFC and Black Sea Trade and Development Bank (BSTDB), pursuant to which these institutions have provided various forms of funding to the Bank. The transparent structure of the Bank's business operations and financial activities has been one of the factors that has enabled it to successfully establish partnerships with these institutions. The Bank's ability to raise finance from these international financial institutions has supported its development in general as well as in particular product areas such as SME lending, mortgage lending, the financing of energy efficiency projects and lending to customers in the farm products sector. Pursuant to the terms of its agreements with these international financial institutions, the Bank is required to comply with certain covenants and criteria relating to risk management, transparency and corporate governance, which requirements are in line with the Bank's internal policies in these areas.

### Majority shareholder support

The Bank's controlling beneficiary is Mr. Roman Avdeev. Mr. Avdeev purchased the Bank in 1994 and currently owns 85% of the Bank's shares. Mr. Avdeev has historically provided financial support to the Bank to support its capital growth and made a total of RUB 15.8 billion in capital contributions in 2009-2012.

### Experienced management team

The Bank's management team has a wide range of experience, expertise and an understanding of the Russian business environment. The Bank's Management Board consists of eight members, each of whom has in-depth knowledge of the Bank and the Russian banking sector. The Bank's Supervisory Board consists of twelve members, of which seven are independent directors. The Supervisory Board members have wide experience in the international banking sector and expertise in various areas such as finance, investments, capital markets accounting and corporate law.

# 4

## Strategy, mission and values

Bank’s development strategy for the next 5 years is based on outpacing the industry growth

**19%**
The aggregate growth of the banking sector assets under RAS for 2012

**34%**
The aggregate growth of the Bank's assets under RAS for 2012



CREDIT BANK OF MOSCOW

## Strategy

The Bank's objective is to be one of the most efficient and stable universal commercial banks in Russia and to provide high-quality financial products and services, offering mass-market as well as customised banking products based on best international and Russian practices. The Bank aims to provide high-quality and reliable banking services to both corporate and retail customers, while simultaneously achieving sustainable and efficient performance.

The Bank aims to gradually increase the proportion of retail banking in its overall business. In terms of growing its retail banking customer base, the Bank plans, first of all, to acquire new reliable retail banking customers from among the employees of its corporate banking customers. Also, thanks to its advanced network of payment machines, the Bank can analyse transactions made by individuals and use this information for making credit decisions and for customer acquisition marketing programmes.

### Continue to focus on core corporate banking business

The Bank plans to continue its primary focus on corporate banking, with its cash collection and delivery business providing a basis for controlling the credit quality of major part of the Bank's borrowers. The Bank plans to further develop its corporate lending with its core client base, which is largely comprised of large wholesale and retail trading companies which make use of the Bank's cash collection and delivery services because of their cash-intensive businesses. These clients are also direct importers of goods, and are the main users of the Bank's trade finance services. The Bank is also focused on fully developing its client relationships and follows a long-term strategy of developing its business in order to satisfy the various needs of its clients and their employees.

Part of the Bank's corporate banking strategy is maintaining a diversified loan portfolio to minimise risks. During the global economic crisis the Bank diversified its client base and attracted new clients, including companies from sectors of the real economy, such as metallurgy, the utilities sector, the power industry, the food sector and the petrochemical industry. The Bank has an internal policy, which is in line with covenants in certain of its financing arrangements, that no economic industry sector may represent more than 20% of the total gross corporate loan portfolio.

### Leverage corporate banking strengths to expand retail banking business

A key element of the Bank's strategy is leveraging its strengths in corporate banking to develop its retail banking business, particularly through cross-selling retail products to the employees of its corporate customers, which are a customer group that the Bank considers to have a relatively predictable credit risk.

In addition to its cross-selling efforts, since 2010 the Bank has been aggressively marketing its retail banking products and services in Moscow and the Moscow region through methods such as billboard advertising and advertising in public transportation as well as lotteries and competitions.

Retail banking is a priority for the Bank as part of its growth and revenue diversification strategy. The targeted share of retail banking in the Bank's loan portfolio is at least 30%, starting from 2013. In its retail banking business, the Bank is focused on increasing the range of products and services it provides to its existing customers, as well as increasing the range of products and services it cross-sells to the employees of its corporate clients, both of whom the Bank considers to be a lower credit risk than “walk-in” retail customers. With respect to retail lending, the Bank's target market segments are general purpose consumer loans and credit cards. The Bank is already active in these areas and views them as having substantial growth potential.

### Maintain geographical focus on Moscow and the Moscow region

The Bank will continue focus its business on the city of Moscow and the Moscow region. The Bank views this region as having high growth potential. The geographical focus enables the Bank to leverage its strengths and avoid the costs and risks associated with maintaining an extensive regional network. In the medium-term the Bank aims to significantly increase the volume of its lending to Moscow-based companies which operate at a national level. The Bank is considering the possibility of expanding its business into other regions of Russia in the medium-term. Any such plans are expected to focus on regions with very dense populations, a highly-developed organised retail trading sector, a notable presence of the Bank's key customers and personal income levels above Russia's average.

### Continue to improve operational efficiency

In order to enhance its profitability and to increase the value of its business, the Bank aims to improve its management and control systems. The Bank's strategy also includes reducing maintenance costs of its ATM and payment terminal network by installing them optimally and by using advanced technological solutions when serving its clients such as remote access to the main banking products.

### Continue to diversify funding sources

The Bank's funding strategy is to develop an optimally diversified funding policy in order to achieve an optimum balance between its own capital, domestic and international borrowings to cover the growing needs of the Bank's business, both in terms of currency and maturity. The Bank's funding base relies primarily on deposits from retail and corporate customers. The Bank aims to broaden its corporate banking deposit base and increase the share of on-demand funds in its liabilities. As part of the Bank's general strategy, it aims for the retail and corporate banking businesses to become self-financing from their funding sources.

## Mission

CREDIT BANK OF MOSCOW 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. At the heart of the Bank's activities lie a transparent business model, effective management, and high level of corporate governance that meets international standards. The Bank sees its mission as to promote Russia's economic development and improve the welfare of the society by providing high-quality financial services, offering mass-market and exclusive banking 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 efficiency of work and coherence of the team through providing of ethical and professional guidelines and values that work towards building of a joint professional team.

**60** Bank Branches

**694** ATMs

**3906** terminals

**14** cash offices

# 5

## Management report



CREDIT BANK OF MOSCOW

## Key events of 2012

In February Vladimir Chubar was appointed Chairman of the Management Board of CREDIT BANK OF MOSCOW.

In June Fitch Ratings upgraded the Bank's ratings: long-term issuer default rating from 'B+' to 'BB-', national long-term rating from 'A-(rus)' to 'A+(rus)', viability rating from 'b+' to 'bb-'. Other ratings were affirmed by the agency.

In July the European Bank for Reconstruction and Development (EBRD) together with the International Finance Corporation (IFC) acquired 15% of the Bank's shares. The stake of each of the financial institutions was 7.5%, and the total amount of investment was 5.8 bln roubles.

In November the Bank raised its all time biggest USD 308 mln syndicated loan. The facility pays 240 bp (2.40%) over six-month LIBOR and has 1 year maturity, the lenders being leading international and Russian financial institutions.

To improve the Bank's corporate governance and optimise decision-making processes in respect of its key issues, the Supervisory Board created Compensation, Corporate Governance and Nominations Committee, Strategy and Finance Committee, Audit and Risk Committee, and Capital Markets Committee.

In 2012, CREDIT BANK OF MOSCOW placed two issues of exchange bonds: (4 bln roubles bonds series BO-03 with one year buyback offer issued in April and 3 bln roubles bonds series BO-02 with one year buyback offer issued in September) and 3 bln roubles 5.5-year debut subordinated bond issue series 11 in December, of which the proceeds were accounted as additional capital.

## Operating activities

### Corporate lending

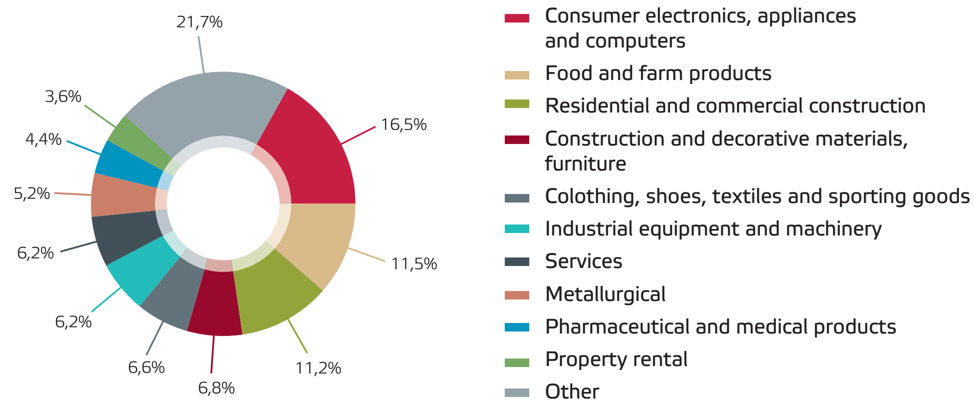
The Bank offers its corporate customers a wide range of lending products, including overdrafts, loans backed by sales receivables, current account facilities, working capital loans and short-term loans, long-term fixed asset financing, short-term loans and trade finance instruments, such as guarantees and letters of credit.

Total gross loans to corporate customers amounted RUB 155.5 billion as at 31 December 2012.

In line with the Bank's risk management policy of minimising all lending on an unsecured basis in its corporate lending, the Bank takes collateral, either in the form of a pledge of assets or a corporate guarantee, in almost all circumstances.

The largest part of the Bank's corporate client base has traditionally been large wholesale and retail trading companies. As at 31 December 2012, 16.5% of the Bank's corporate loans were to companies in the consumer electronics, appliances and computers sector, 11.5% were to companies in the food and farm products sector, 11.2% were to companies in the residential and commercial construction and development sector and 6,8% were to companies in the construction and decorative materials, furniture sector.

## Corporate Loans by Industry

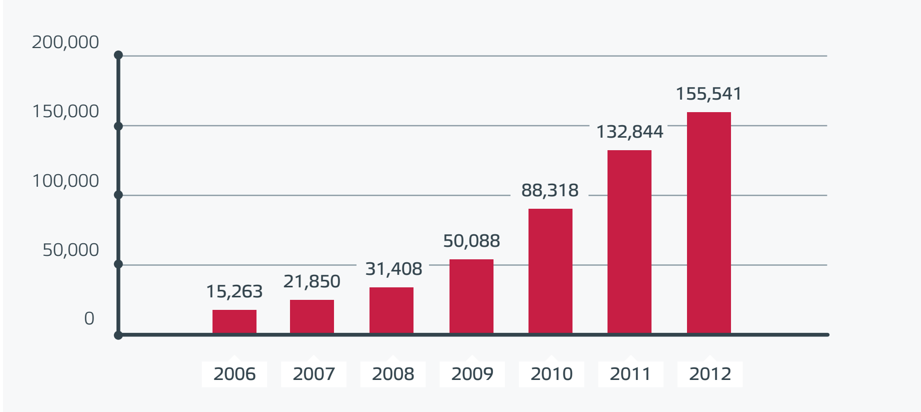


| | 2012 RUB ths. | 2011 RUB ths. |
|---|---|---|
| Cash collection delivery | 1,003,921 | 750,537 |
| Settlements and wire transfers | 852,401 | 764,428 |
| Insurance contracts processing | 770,246 | 213,063 |
| Guarantees and letters of credit | 739,994 | 533,983 |
| Plastic cards | 354,122 | 273,704 |
| Currency exchange commission | 176,985 | 218,365 |
| Other cash operations | 132,861 | 104,558 |
| Other | 75,691 | 78,290 |
| **Fee and commission income** | **4,106,221** | **2,936,928** |

### Guarantees and Letters of Credit

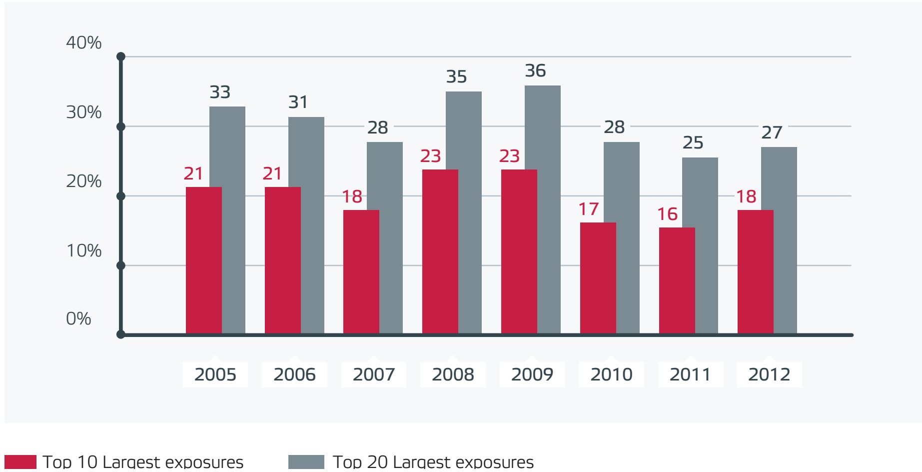
Bank guarantees and letters of credit represent an increasing and regular source of fee income for the Bank and are particularly used by the Bank's corporate customers. The Bank offers bid guarantees, customs guarantees, performance bonds, instalment payments guarantees and advance payments guarantees. Guarantees and letters of credit represented 18.0% of the Bank's total fee and commission income in the year ended 31 December 2012. Guarantees and letters of credit are an attractive product for the Bank because, unlike loans, they are not priced based on the Bank's cost of funds, which enables the Bank to compete effectively with state-owned banks in this. Below is the structure of commission income of the Bank:

## Corporate loans




RUB mln

## Largest exposures




% of total exposures

### Trade Finance

The Bank is one of the leaders in trade finance area among Russian banks. The Bank transacts with more than 50 foreign banks in trade finance and is one of the leaders in this market segment among Russian banks. The Bank provides letters of credit, guarantees and pre-export financing.

Since May 2005, the Bank has been an active participant in EBRD's Trade Facilitation Programme which gave it access to a US$15.0 million line of credit, which has been increased several times subsequently, being US$100.0 million as of end-2012. The Bank has also obtained from the IFC under its Global Trade Finance Programme a line of credit which began at US$10.0 million in February 2006, and has been increased several times subsequently, being US$140.0 million as of end-2012.

In May 2012, the Bank was awarded by EBRD as the «Most Active Issuing Bank in Russia in Short-Term Trade Finance» under EBRD's Trade Facilitation Program in 2011, which was the second award the Bank has received from EBRD under the programme. In October 2012, the Bank was recognised by IFC as one of two «Best Issuing Banks» in Eastern Europe for 2011 under IFC's GTFP for the fourth year in a row.

In 2012 the Bank facilitated over 500 trade finance transactions totalling US $859.6 million.

The Bank co-operates with the major international export credit agencies to structure long-term transactions for equipment purchases for its corporate clients. Its payment guarantees for short-term transactions are accepted by Hermes (Germany), Ex-Im 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 US$1 billion of trade finance facilities with financial institutions globally.

## Awards

**2011**

**Best issuing bank in Eastern Europe**

IFC GTFP

**2010**

**The most active Issuing Bank in Eastern Europe**

IFC GTFP

**2008-2009**

**The most active issuing bank in Europe and Central Asia**

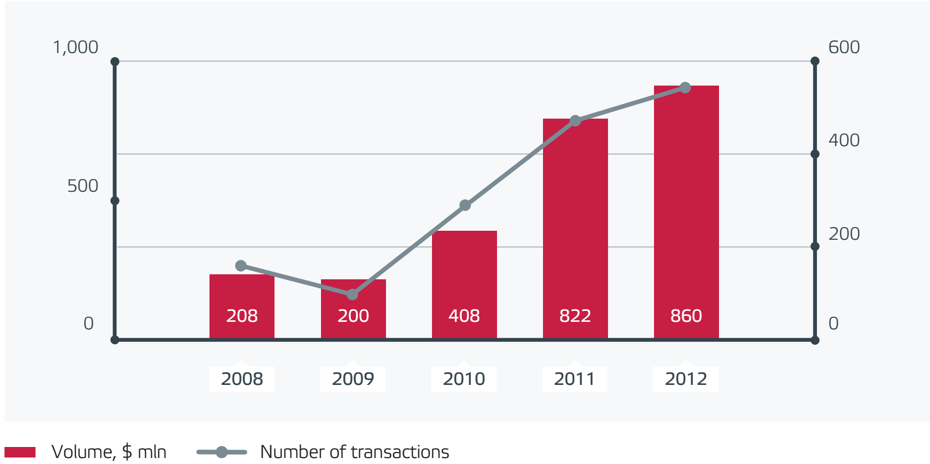
IFC GTFP

**2010-2011**

**The most active bank issuing in Russia on short-term trade finance**

EBRD Trade facilitation Program

## TF transactions



### 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 to clients for financing assets such as machinery, vehicles and other specialist equipment through its specialised leasing subsidiary, MKB-Leasing* .

The Bank has also offered its clients factoring services since 2005. In 2008, EBRD provided the Bank with a US$20.0 million credit line to be used for its factoring business. Before July 2011, most of the factoring services provided by the Bank were offered on a recourse basis, with recourse to the original creditors of the debts purchased by the Bank if the respective debtors did not fulfil their payment obligations. However, in July 2011, the Bank launched a new factoring product, which provides non-recourse factoring services for the creditors of SME debtors. The Bank plans to grow its factoring business in the future.

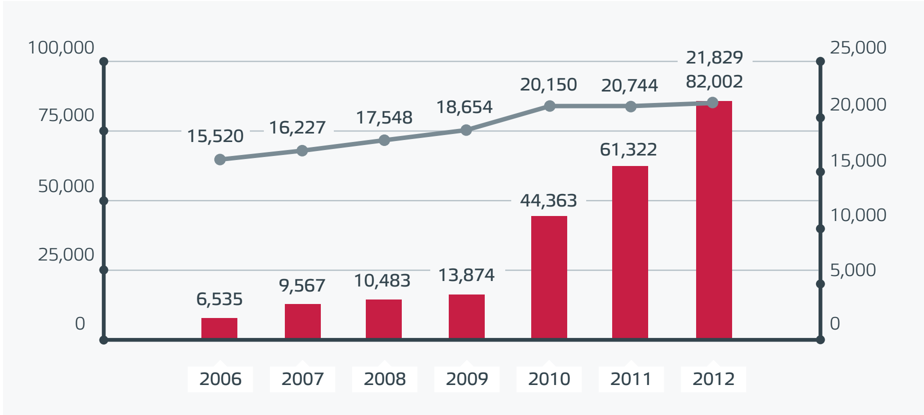
### Corporate Funding

The Bank provides current and term accounts to, and accepts deposits from, its corporate customers. The Bank's deposit product range provides a comfortable mix for customers in terms of currency, maturity, interest payment frequency and flexebility of disposal. The Bank also offers its corporate customers an irreducible account balance scheme, where the Bank offers a fixed rate of interest on irreducible balances on current accounts.

As at 31 December 2012, the volume of deposits by corporate customers amounted to RUB 82.0 billion, and the ratio of corporate deposits to total deposits by customers was 43.4%.

* MKB-Leasing is a subsidiary of the Bank under IFRS standards

## Corporate deposits




In November 2012, the Bank introduced two new deposit products to help attract higher levels of corporate funding. The first is a deposit that provides for capitalisation of interest and the second is "refillable product".

In addition to its current and term accounts and deposit services, the Bank offers its corporate customers the option to acquire promissory notes issued by the Bank, being liquid financial instruments that can be further traded or pledged. As at 31 December 2012, the Bank had promissory notes outstanding of RUB 8.2 billion.

### Cash Collection and Delivery

The Bank is one of the market leaders in providing cash collection and delivery services to businesses in Moscow, the Moscow region, and Russia as a whole. According to an Interfax survey conducted in 2011, the Bank was the 3rd largest cash collection and delivery service provider in Moscow, the 4th largest in Russia as a whole and the largest private bank providing cash collection and delivery services in Moscow. Cash collection and delivery services are in high demand in Russia, where the majority of transactions are settled in cash. The provision of cash collection and delivery services helps to differentiate the Bank from its competitors, thereby assisting the Bank to attract and retain corporate clients.

The Bank has two cash collection settlement centres in both north and south Moscow, where cash is physically delivered, calculated and credited to clients' accounts. The Bank uses almost 200 armoured cash collection vehicles.

As at 31 December 2012, the Bank had over 150 cash collection routes, compared to 122 as at 31 December 2011 and 96 as at 31 December 2010; as at the above date the Bank collected cash from 8,833 cash collection points, as compared to 6,483 and 4,753 as at 31 December 2011 and 2010. The Bank collected cash with a value of over RUB 500 billion in 2012. As at 31 December 2012, CREDIT BANK OF MOSCOW had over 800 cash collection and delivery customers (of which 25 were banks) and the Bank's client base is well diversified.

For the year ended 31 December 2012, the Bank generated RUB 1 billion of fee and commission income from its cash collection and delivery services which is 24.4% of the Bank's fee and commission income for that period.

### Retail Banking

The Bank's retail banking services include loan products, including consumer loans, car loans, mortgage loans and credit cards; services to employees of corporate customers (corporate plastic cards and payroll services); and personal services, including deposits, debit cards, payments and transfers, foreign exchange, investments in mutual funds, travellers cheques and safe deposit boxes. The Bank has been an active player in the Moscow retail banking market since 2002.

The main focus of the Bank's retail banking business is general purpose consumer loans and plastic cards. The Bank cross-sells products to its retail customers, develops and offers under promotion products and services to existing customers. This approach helps minimise costs of attracting new clients, improves customer loyalty and helps to retain customers.

As at 31 December 2012, the Bank had approximately 484,000 retail clients.

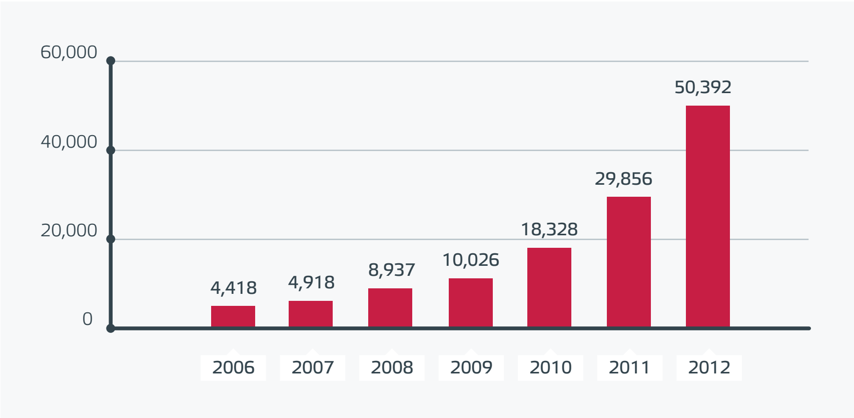
The Bank's retail loan portfolio was RUB 50.4 billion as at 31 December 2012 (24.5% of the total gross loan portfolio of the Bank). The Bank has set a target of increasing the proportion of retail loans in its loan portfolio to up to 30% by the end of 2013.

The Bank seeks to attract high net worth retail customers ("VIP customers") and offers an innovative range of products. The Bank's VIP customers are generally retail banking customers with large amounts of deposits with the Bank or who have conducted other large banking transactions with the Bank. Many of the Bank's VIP customers are owners or top managers of the Bank's corporate banking customers. The Bank offers its VIP customers a higher level of customer service than its standard retail banking services and products that are more closely tailored to the customer's individual characteristics. For such VIP customers, the Bank offers "Individual Banking", a personal service package which provides the customer with a personal manager, who supports the customer with all banking transactions and individual financial solutions.

In 2012 the Bank opened a dedicated Retail Business Centre (the "Retail Business Centre") in the centre of Moscow, where retail banking customers have access to the full range of the Bank's retail banking services maximum comfort and a high level of customer service and the use of advanced technology such as electronic queues, electronic cashiers and a pneumatic conveying system. Due to the "one stop shop" principle applied in the Retail Business Centre, the time needed for each transaction has decreased significantly compared to the Bank's typical bank branch. Each floor of the Retail Business Centre has special devices aimed at efficient automated control over client flow, leading to faster client servicing. The Centre also has a special VIP zone dedicated for high net worth retail customers.

As at 1 January 2013, the Bank was ranked by RBC Rating as the 15th Best Retail Bank in Russia. Senteo also ranked the Bank 12th in Russia, according to its 2012 Customer Experience Index, which measures the quality and consistency

## Retail loans




Retail loans, RUB mln

of a bank's customer experience based on brand, communication, environment, offering and culture.

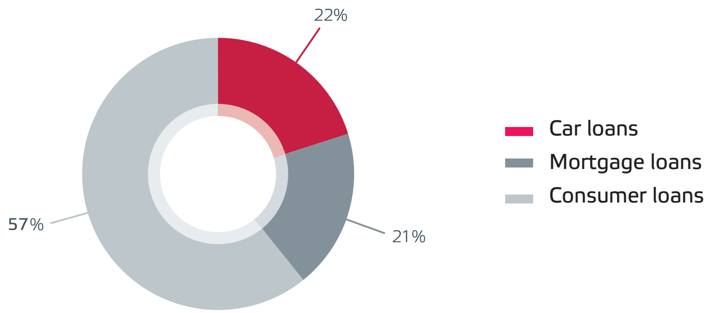
### General Purpose Consumer Loans

CREDIT BANK OF MOSCOW offers general purpose consumer loans to finance various purchases and other activities. The market for general purpose consumer loans is highly competitive but is a profitable area due to high interest rates. The incontestable competitive advantages of the Bank include selling through a network of terminals and easy loan repayment through the Bank's own network of terminals and ATMs.

General purpose consumer loans represented 57% of the Bank's retail loan portfolio or RUB 29.0 billion as at 31 December 2012.

From 2011, the Bank introduced insurance contracts processing services in respect of its consumer loans. The Bank partners with major Russian insurance companies to provide group unemployment and life insurance to its consumer loan customers in support of their loan obligations. General purpose consumer loans are the focus of the Bank's retail business and are expected to be the main focus for the Bank's retail loan portfolio growth in future.

## Retail loans by products




Data for 2012

### Bank Cards

CREDIT BANK OF MOSCOW is a principal member of the VISA International and MasterCard payment systems. The Bank offers a wide variety of debit cards and credit cards to its customers. The variety of cards and features available to a customer depends on the tariff subscribed to by that particular customer.

As at 31 December 2012, the Bank had 858,000 plastic cards in issue.

The Bank generates both stable interest income and fee and commission income from its bank card products. Fee and commission income from plastic cards was RUB 354 million or 8.6% of the Bank's fee and commission income, in the year ended 31 December 2012.

The Bank aims to offer its retail customers innovative bank card products and to attract VIP customers to its plastic card offering. CREDIT BANK OF MOSCOW has offered the premium VISA INFINITE card since 2009 and was the first provider to offer the VISA INFINITE diamond-encrusted card to the Russian market. In 2010 and 2011, the Bank introduced a bank card which can be combined with a Moscow metro pass; a credit card aimed at customers who frequently travel; and a bank card aimed at making customs payments easier. In 2012 the Bank offered a new "union card" to customers, which combines the features of a debit card and credit card.

Card security is a priority for CREDIT BANK OF MOSCOW and, since 2012, the Bank has issued only chip cards and introduced a 3D Secure security system for on-line credit and debit card transactions.

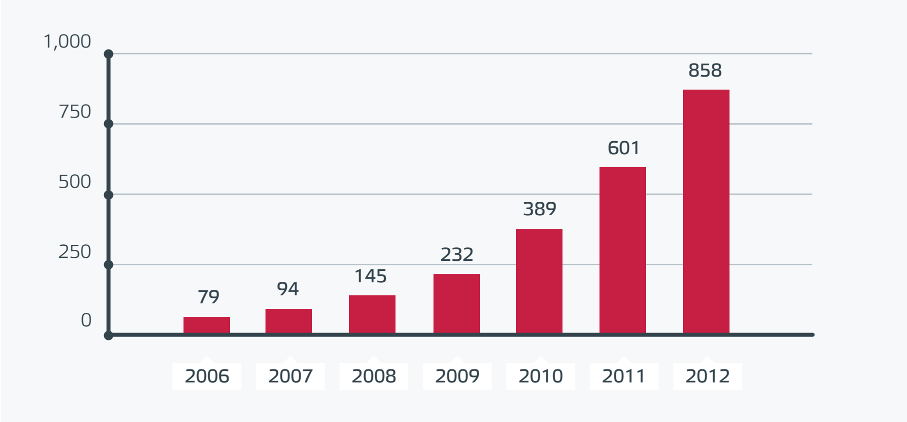
In December 2012, the Bank launched a mobile point-of-sale plastic card acquiring services pilot project jointly with VSK insurance company and VISA. Under this project, VSK's insurance agents use CBM Mobile application on smartphones to read the plastic cards of customers when they pay for insurance services. The Bank intends that this pilot project will form a basis for the Bank to provide this service to other companies going forward.

CREDIT BANK OF MOSCOW is also actively promoting the use of electronic payments made by its customers with the Bank's bank cards and is developing efficient partner programmes with its corporate customers. The Bank's cardholders receive special discounts on payments made with CREDIT BANK OF MOSCOW's bank cards in various restaurants and shops, and also receive special bonuses for performing a particular number of transactions via the Bank's bank cards.

### Car Loans

CREDIT BANK OF MOSCOW began offering car loans in Russia in 2002 and was one of the first banks in Russia to enter this market segment. Car loans represented 22% of the Bank's gross retail loan portfolio or RUB 11.0 billion as at 31 December 2012.

## Plastic cards issued




Ths. per year

All of the Bank's car loans are secured by the cars that the customer purchases with the loan proceeds. All customers obtaining car loans are obliged to insure the vehicle upon which the loan is secured, and to assign the benefit of such policy in favour of the Bank. Under the Bank's car loan programme launched in June 2011, the Bank offers retail customers car loans for up to seven years with a minimum annual interest rate of 13.25% p.a.

As at 31 December 2012, the Bank was ranked by RBC Rating as 13th in Russia based on the aggregate rouble amount of car loans extended in 2012, 13th in Russia by the number of car loans extended in 2012 and 12th in Russia by the size of its total car loans portfolio as at that date.

The Bank is not planning to actively develop this segment of lending to individuals, putting a greater emphasis on general-purpose loans and credit cards.

### Mortgage Lending

The Bank's mortgage loan products are focused on retail customers with medium and high income for the purchase of residential properties generally of a value between RUB 0.7 million and RUB 7.0 million. The Bank currently offers mortgages with maturities ranging from 12 months to 20 years and with interest rates ranging from 12.25% to 24%. The average interest rate is 13.8%. All of the Bank's mortgage borrowers are insured by the leading Russian insurance companies.

As at 31 December 2012, the share of mortgage loans in the Bank's total retail portfolio was 21%, the Bank has outstanding mortgage loans of RUB 10.4 billion.

CREDIT BANK OF MOSCOW's mortgage lending programme is partly financed by a US$5.0 million eight-year mortgage loan facility granted by the IFC, which was the first housing finance loan from the IFC to a Russian-owned bank when it was disbursed in 2005. This facility is due to expire in June 2013.

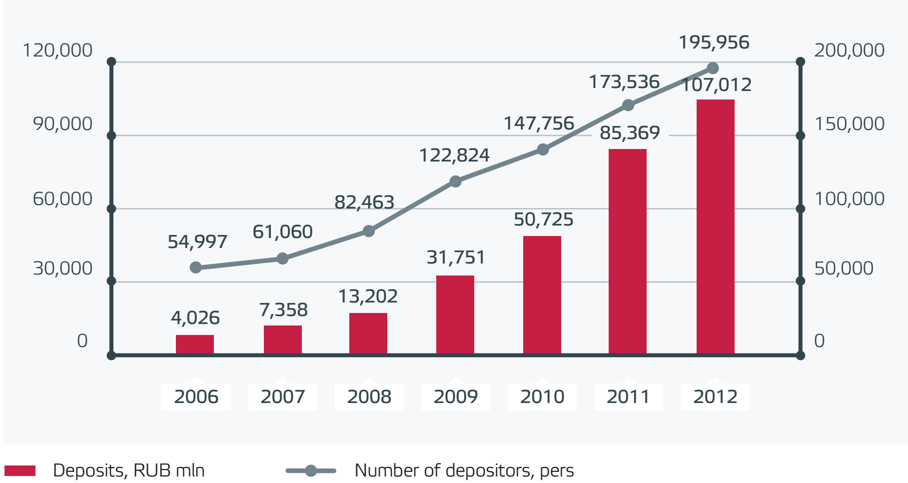
As at 1 July 2012, the Bank was ranked 21st in Russia based on the volume of mortgage loans extended during the first half of 2012 and 17th in Russia by the size of its total mortgage loans portfolio as at that date. According to the market analyst Rusipoteka, the Bank was ranked 20th Russian bank in terms of mortgage lending in 2012.

### Retail Funding

Deposits from retail customers are a significant source of funding for the Bank. As at 31 December 2012, retail deposits represented 56.6% of the Bank's total deposits by customers.

Over the past several years, the Bank has significantly increased its retail customer deposits base as a result of improvements it has made to its product range, an aggressive marketing campaign, the expansion of its branch network

## Retail deposits




RUB mln

in Moscow and the improvement of customer service. As at 31 December 2012, the Bank had 195,956 retail deposit customers and retail deposits in the amount of RUB 107.0 billion.

The substantial majority of CREDIT BANK OF MOSCOW's retail deposits are term deposits, which accounted for 93.2% of the total retail deposit portfolio as at 31 December 2012.

The average term on the Bank's deposits from retail customers as at 31 December 2012 was 18 months, as compared with 16 months as at 31 December 2011 and 9 months as at 31 December 2010.

## Financial results

- CREDIT BANK OF MOSCOW's 2011 IFRS net income grew 48.7% compared to 2010 and amounted to RUB 5 778 mln ($185,9 mln).
- The Bank's assets rose 32.9% yoy reaching RUB 308,727 mln ($10,164.6 mln).
- The loan portfolio expanded by 26.5% yoy to RUB 201,235 mln ($6,625.5 mln).
- NPL ratio (loans overdue more than 90 days) decreased to 1.0% in 2012 from 1.1% in 2011, loan loss provisions remained at 2.3% of the total portfolio.
- The Bank shows strong operational efficiency with 17.8% return on equity and 2.1% return on assets.
- The cost-to-income ratio remains steadily low at 40.5% as of 2012 year-end.
- The Bank's equity augmented by 53.4% in 2012 up to RUB 39,292 mln ($1,293.7 mln).
- Capital calculated under the Basel Accord increased 52.6% in 2012 reaching RUB 44,996 mln ($1,481.5 mln), the capital adequacy ratio being 15.8%.

The assets grew by 32.9% yoy to RUB 308,727 bln.

The Bank's net income reached RUB 5.778 bln as of 2012 exceeding by 48.7% its 2011 income (RUB 3,886 bln). Return on equity (ROAE) reduced from 19.7% to 17.8%, while return on assets (ROAA) rose from 2.0% to 2.1%.

Operational income increased 48.9% compared to 2011 reaching RUB 15.8 bln. Operational expenses grew 51.5% to RUB 6.4 bln. The expenses mainly grew because of the Bank's developing infrastructure, higher rentals for offices, ATMs and payment terminals, as well as increasing number of staff in the retail business segment. Operational efficiency remained high in 2012 with CTI ratio of 40.5% versus 39.8% the year before.

Net interest income rose 40.3% to RUB 12.241 bln driven by the expanding loan portfolio. Owing to the higher portion of high-return retail products in the Bank's portfolio, interest margin grew to 5.2%, which is 0.2 percentage points more than last year.

Fee income soared by 39.8% compared to 2011 and amounted RUB 4.106 bln, of which more than RUB 1 bln (24.4%) are attributable to cash collection fees (33.8% growth compared to the last year), RUB 852 mln (20.8%) to settlement operation fees (11.5% growth) and RUB 770 mln (18.8%) to loan insurance arrangement fees (261.5% growth).

In terms of cash collection, the Bank services not only its own network and clients, but also other financial institutions and their clients. In 2012, the number of cash collection points rose by 2,350 and reached the total of 8,833. Thirty new cash collection itineraries were put in place bringing their total number to 152.

The loan portfolio, representing 65.2% of the Bank's assets, expanded by 26.5% in 2012 after impairment provisions and reached RUB 201.2 bln as of the reporting date. The corporate loan book rose 17.1% to RUB 152.5 bln, while the retail loan book soared by 69.3% up to RUB 48.8 bln, of which the general purpose consumer loan portfolio went up by 81.0% from RUB 15.2 bln to RUB 27.6 bln.

The Bank rose to the 17th spot in RBC Rating's Top 500 Banks by Loan Portfolio as of 2012 year-end (from the 19th place in 2011).

Overdue loans ratio dropped, as compared to 2011, from 1.6% to 1.5%, the ratio of NPLs (loans overdue more than 90 days) fell from 1.1% to 1.0%. The LLP/NPL ratio grew from 208.6% to 238.9%. The ratio of impairment provisions to the total portfolio remained unchanged at 2.3%

Securities portfolio stood at RUB 37.1 bln as of end-2012, which is 49.1% more than last year. The bulk of investments are represented by highly liquid securities – 76.3% of bonds in the portfolio are included in the CBR's Lombard List.

Customer accounts and deposits rose 28.9% yoy to RUB 189.0 bln, of which term deposits increased 27.0% to RUB 157.5 bln. The retail deposit portfolio expanded by 25.4% and stood at RUB 107.0 bln.

Significant subsequent events include two Eurobond issues. The first one was placed in February 2013 for the amount of $500 mln, thus becoming the Bank's largest transaction by that time. It pays a coupon of 7.7% p.a. and has a 5 year maturity. The pricing was preceded by a series of meetings with institutional investors in Hong Kong, Singapore, Zurich, Geneva, London, Boston and New York. Barclays Bank PLC, Merrill Lynch International, Raiffeisen Bank International and The Royal Bank of Scotland acted as joint lead managers and bookrunners. The bonds were issued pursuant to Rule 144a and Regulation S.

The second Eurobond issue (subordinated) took place in May 2013. This was another $500 mln deal paying 8.7% p.a. and falling due in 2018 (5.5 year maturity). HSBC, Raiffeisen Bank International and The Royal Bank of Scotland acted as joint lead managers and bookrunners, HSBC also being sole structuring adviser. The bonds were issued pursuant to Rule 144a and Regulation S. The transaction represents the first subordinated Eurobond issued by a Russian bank following the introduction of the Central Bank of Russia's latest rules on subordinated capital under Regulation No. 395-P dated 28.12.2012 "On the Method of Calculating the Amount, and Assessing the Adequacy of, the Capital of Credit Institutions ("Basel III")".

## 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 risks), operational risk and reputational risk. The purposes of the Bank's asset, liability and risk management policy are as follows:

- **Risk identification and analysis:** the identification of risk factors and the determination of risk sensitivity.
- **Risk assessment:** setting out a methodology to assess each of the risks and assessing of the acceptability and reasonableness of the risks.
- **Risk response:** using a system of early risk monitoring and a division of quick and appropriate response to prevent or mitigate the risk and setting out methods for responding to financial risk.
- **Risk control:** monitoring compliance with the limits approved by ALCO, the Credit Committee and the Management Board; reporting current open positions, risk magnitude, the state of limits and any violations to the Bank's management; identifying and reporting any limit violations; and reviewing its risk assessment methods at least once a year.

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

The Bank's risk management functions are carried out by several bodies that are responsible for establishing risk management policies and procedures, including 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) Audit and Risk Committee.** The Audit and Risk Committee is formed by the Supervisory Board. The committee's functions include:

- advising the Supervisory Board on:

  a) selecting an independent auditor to undertake the annual independent external audit of the Bank's financial statements;

  b) appraising the quality of services provided by the independent auditor and its compliance with independence requirements;

  c) efficiency of internal control and risk management procedures;

  d) prioritising the Bank's activities within the acceptable level of risk; and

  e) compliance with applicable laws and regulatory requirements;
- maintaining the Supervisory Board's control over activities of the Bank's executive bodies and ensuring co-operation with the Bank's executive bodies on matters within the committee's competence; and
- implementing and promoting a culture of risk management within the Bank.

**2) Management Board.** The Management Board is the executive body which is responsible for the Bank's operations and the implementation of 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:

- forming committees and delegating to such committees part of its authority under the relevant regulations;
- approving risk limits and making decisions in relation to transactions that fall beyond the relevant management/committees authority;
- approving internal regulations, policies, guidances, instructions, rules and other internal documents;
- forming committees to ensure control over particular risks; and
- approving interest rates and tariffs for banking services.

**3) Corporate Credit Committee.** The Corporate Credit Committee contains two individual committees: the Smaller Credit Committee and the Main Credit Committee. The Smaller Credit Committee approves credit limits up to RUB 1 billion and consists of five permanent members. The Main Credit Committee approves credit limits above RUB 1 billion and consists of six permanent members. Credit limits and transactions above RUB 2 billion are required to be approved by the Management Board. The committees' responsibilities include the following:

- organising and managing the Bank's lending activity and credit risks;
- controlling the quality of the Bank's loan portfolio;
- approving credit exposure limits for borrowers, sectors, and industries;
- delegating authority for the approval of loans to the Bank's officers, within certain limits;
- qualifying loans as problem loans;
- setting credit ratings to reflect the relative risk of the various categories of borrowers; and
- changing approved credit risk limits.

**4) Retail Credit Committee.** The Retail Credit 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 responsibilities of the committee include:

- approving credit loans to individuals;
- approving individual restructuring conditions;

- approving non-standard conditions for basic products;
- reviewing high risk applications; (with the authority to decline them)
- reviewing analytical portfolio reports; and
- escalating approval of applications to the Board level.

**5) Assets and Liabilities Committee (ALCO).** ALCO is responsible for establishing the strategy for the attraction and allocation of funds, the strategic and operating management of risks related to the deterioration of capital and liquidity, and currency and interest rate risks. ALCO's functions include:

- defining the general structure of the Bank's assets and liabilities, including distributing assets by risk, profitability and maturity;
- establishing types of financial instruments used by the Bank and operations performed in the financial markets;
- establishing credit risk limits for financial market counterparties and debt securities;
- managing the Bank's open currency position;
- interest risk management; and
- liquidity management.

**6) Risk Division.** The Bank's Risk Division identifies, evaluates and manages banking risks. The Risk Division is responsible for:

- evaluating, analysing and preparing independent opinion on credit risks;
- evaluating and monitoring business reputation and sector research;
- evaluating industry risks and their impact on the creditworthiness of corporate clients and the development of the Bank's industry risk policy;
- monitoring the credit portfolio in respect of sectors, customers (aggregate exposure within limits), collateral value and quality based on regular reviews, quarterly revaluation of collaterals and financial condition;
- monitoring of customers' compliance with covenants;
- monitoring of the lending activities of the Bank's divisions;
- monitoring of the compliance of the Bank's divisions with established limits;
- assessing credit, financial and sector risks when executing financial markets operations, including recommendations on the amounts, structure and limits for the financial market counterparties;
- assessing and analysing market risks including interest, currency and price risks;
- assessing proposals made by the Treasury Department on liquidity management and market risks;
- controlling the compliance of the Bank's subdivisions with regard to the limits placed on transactions with financial markets counterparties; and
- controlling the compliance of the Bank with regard to market risks limits.

Credit risk factors are identified and reported to departments and management on an ongoing basis. Management decisions are made on the basis of daily, monthly and quarterly reporting across business lines.

The Risk Division includes the Corporate Risk Department, Retail Risk Department, Information and Analytical Department, Project Finance Department and Collateral Appraisal and Monitoring Service.

**7) Treasury Department.** The Treasury Department conducts the attraction and allocation of funds in financial markets and over-the-counter markets, and develops the principles of the Bank's activities in financial markets for the purpose of managing the Bank's liquidity position. The Treasury Department's main functions are:

- generating the preliminary daily financial plan for the Bank;
- providing sufficient funds to the Bank's correspondent accounts in order for rouble and foreign currency payments to be made;
- controlling the Bank's liquidity and maturity forecast;
- analysing maturity forecasts in relation to severe market condition scenarios;
- monitoring and controlling the open foreign exchange position structure;
- forecasting changes in the Bank's interest margin;
- attracting and placing funds into interbank loans and deposits, foreign exchange buying and selling, interbank bank note transactions, conversion operations, executing operations on allocation/attracting funds at the exchange or over-the-counter markets with the aim to settle the Bank's liquidity position control; and
- providing recommendations on maturity, amounts and currency structure of the issued loans.

**8) Internal Control Division.** The main responsibilities of the Internal Control Division include:

- ensuring the Bank's compliance with the Russian law;
- ensuring an efficient and reliable system of internal control;
- controlling compliance with the Bank's requirements regarding banking risk assessment and risk management; and
- controlling the assessment of financial viability and efficiency of banking transactions.

The Internal Control Division consists of the Internal Audit Department, the Operational Risk Control Department and the IT Audit Department. The Internal Control Division was created in March 2013, while at the end-2012 its functions were performed by Internal Control Department consisting of Corporate Business Audit Unit, Retail Business Audit Unit, Operational Risk Management Unit, and Internal Audit and Operational Risk Management Methodology Sector.

### 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 assets, thus allowing the Bank to calculate its "net conventional capital" conservatively. The Bank's objective is to maintain its solvency at a high level. Adherence to maintaining solvency within predefined levels protects the Bank from making further investments in risky assets and allows it to reduce the risk of losses on the impairment of existing assets by selling them on the market at an appropriate time.

### Liquidity Risk

Liquidity Risk arises in case of mismatch between the maturities of assets and liabilities and therefore potentially affects the Bank's ability to fulfill its obligations in full and in due time (including without attraction of 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 Russian and international capital markets. In addition, a substantial portion of its securities portfolio is highly liquid and could be used to help the Bank meet liquidity needs. The Bank also has access to liquidity from the CBR on a secured and unsecured basis, but in practice it generally does not utilise such liquidity.

The ALCO approves liquidity assessment and management procedures, determines liquidity requirements and sets minimum necessary levels of liquid assets and maturity mismatch limits. Oversight of the Bank's liquidity risk is shared with the Bank's Treasury Department.

The Bank exercises strict control over compliance to liquidity statutory 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. The CBR requires that such ratios are complied with on a daily basis and the Bank provides a monthly statement demonstrating that it has complied with such ratios on a daily basis for the relevant statement period.

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

- projections are consolidated into cash-flow charts for each group of assets and liabilities;
- statistical analysis methods (such as stress tests) are employed in order to identify necessary levels of short- and long-term liquidity;
- liability forecasts are counterbalanced by highly liquid and liquid asset reserves, as needed to discharge payment obligations in full, even under stress;
- liquidity surpluses/shortages are identified throughout the forecast period, together with respective allocation/funding options;
- the Bank uses temporary liquidity surpluses for the provision of interbank loans, repo deals and in some cases for short-term lending to corporate clients;
- final decisions with respect to setting limits are carried out by the ALCO, which ensures ALCO has comprehensive control over liquidity risk.

The following table sets forth the Bank's consolidated liquidity position as at 31 December 2012 and shows financial assets and liabilities by their remaining contractual maturity as at 31 December 2012.

Management of the risks of current and estimated liquidity is separated at the Bank.

Current liquidity management is the main task solved by the Bank in the field of operational management of assets and liabilities, and it stands for short-term forecasting and management of cash flows in terms of currencies and deadlines for the provision of fulfilment of the Bank's obligations, settlements under clients' orders, funding of active operations. Current liquidity management is conducted by the Treasury Department through rapid (within a one-day term) estimation of the Bank's current payment position, and forecasting of changes in the payment position, taking into account the payment schedule and various scenarios of events.

The monetary market tools (interbank lending and deposits, repo) are used to regulate short-term liquidity, and aren't considered as a source of financing of long-term assets.

The main purpose of estimated (medium-term and long-term) liquidity is the development and implementation of a complex 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 fulfilled at the Bank by means of elaboration of long-term forecasts of liquidity, as well as through the establishment of internal liquidity ratios (standards of liquid and highly liquid assets, standard of the amount of the liquid securities portfolio) made by the ALCO. The results of forecasts of long-term liquidity are presented to the Bank's Asset and Liability Committee. Forecasting includes the assessment of proceeds and payments under contract deadlines of operations, as well as taking into account the planned deals, probable prolongation of funds

| | < 1 month | 1–6 month | 6–12 month | 1–5 years | Over 5 years | No maturity | Overdue | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | RUB thousands | | | | | | | |
| Cash and cash equivalents | 47 459 075 | — | — | — | — | — | — | 47 459 075 |
| Obligatory reserves with the Central Bank of the Russian Federation | — | — | — | — | — | 2 545 772 | — | 2 545 772 |
| Due from credit institutions | 2 536 527 | 3 011 120 | 3 973 144 | 3 000 000 | — | — | — | 12 520 791 |
| Financial instruments at fair value through profit or loss | 25 438 516 | 401 448 | 1 863 907 | 3 880 250 | 100 678 | 17 | — | 31 684 816 |
| Available-for-sale securities | 2 893 914 | 1 864 714 | 492 350 | 170 610 | — | 26 006 | — | 5 447 594 |
| Loans to customers | 13 149 864 | 73 548 189 | 35 454 906 | 67 563 270 | 10 219 222 | — | 1 299 071 | 201 234 522 |
| Property and equipment | — | — | — | — | — | 6 079 620 | — | 6 079 620 |
| Other assets | 979 047 | 329 773 | 446 375 | — | — | — | — | 1 755 195 |
| **Total assets** | 92 456 943 | 79 155 244 | 42 230 682 | 74 614 130 | 10 319 900 | 8 651 415 | 1 299 071 | **308 727 385** |
| **LIABILITIES** | | | | | | | | |
| Deposits by credit institutions | 2 242 563 | 9 721 055 | 16 875 223 | 6 139 433 | 205 459 | — | — | 35 183 733 |
| Deposits by customers | 65 679 680 | 44 940 546 | 49 541 792 | 27 932 237 | 919 849 | — | — | 189 014 104 |
| Debt securities issued | 1 081 497 | 4 091 296 | 2 399 573 | 29 426 424 | 3 015 000 | — | — | 40 013 790 |
| Income tax liability | — | 125 817 | — | — | — | 2 608 594 | — | 2 734 411 |
| Other liabilities | 1 030 522 | 419 446 | 241 910 | — | — | 797 176 | — | 2 489 054 |
| **Total liabilities** | 70 034 262 | 59 298 160 | 69 058 498 | 63 498 094 | 4 140 308 | 3 405 770 | — | **269 435 092** |
| Net liquidity position | 22 422 681 | 19 857 084 | (26 827 816) | 11 116 036 | 6 179 592 | 5 245 645 | 1 299 071 | 39 292 293 |
| Accumulated gap | 22 422 681 | 42 279 765 | 15 451 949 | 26 567 985 | 32 747 577 | 37 993 222 | 39 292 293 | — |

raised from the Bank's clients, probable outflow of the unstable part of the clients' sight deposits. The stable part of short-term client liabilities is evaluated on the basis of statistical analysis of dynamics of the total balance of such liabilities by currencies.

In addition, stress tests are held taking into account risk factors affecting changes in the estimated state of liquidity, as well as taking into account the Bank's ability to mobilize liquid assets in the event of lack of liquidity.

### Credit risk

The credit risk is the risk of losses as a result of non-fulfilment, untimely or incomplete fulfilment of the borrower's financial liabilities to the creditor by the former.

Based on the specifics of activities and the 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 availability of the credit portfolio, securities portfolio, warranties, other contractual obligations. The credit portfolio risk is mainly concentrated in the field of corporate business.

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

Strategic management (adoption of the credit policy, organization of credit activities, and credit risk management) is carried out by the Bank's Management Board. The coordination of credit activities and the adoption of decisions regarding lending are carried out by the Bank's Authorized Bodies – Credit Committees and authorized persons.

The principle of distribution of responsibility in the course of credit risk management is reflected in the Bank's Credit Policy and procedures for the adoption of decisions for the allowance of credits.

Key credit risk management elements:

- the Bank's credit policy, its updates on a periodical basis in accordance with the market conditions and the existing risks. It is planned for 2013 to adopt an updated credit and branch strategy of the Bank, update the credit policy in accordance with the Bank's strategic plans;
- improvement of the principles and methods of formalized assessment of borrowers (ranking systems for corporate borrowers, scoring systems for retail business), application of the general principles of pricing, provisioning, formation of allowances, taking into account the risk amount;
- control over limits per group of related borrowers, concentration per branch, 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; and
- 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, established by the Bank's Management Board. The credit policy sets out the framework for the provision of loans and clearly defines the criteria for the evaluation of potential and existing customers.

The Bank's credit policy also creates the framework for lending to corporate clients, requiring sufficient categories and values of security to be taken by the Bank in respect of the loans that it originates in order to satisfy certain liquidity thresholds.

### Corporate Loan Approval Process

The Bank's business units analyse loan applications and prepare a borrower's creditworthiness report. The Risk Division then analyses the loan application and assesses the credit risks based on the reports of the Bank's respective units on the borrower's corporate credit risk, collateral, legal risks and reliability. The Bank's assessment procedure for corporate loans is ratings-based. The Risk Division of the Bank also meets the borrower's management and undertakes site visits. The value of the collateral offered by the borrower is generally evaluated by the Bank's Collateral Appraisal and Monitoring Service of Risk Division. The Bank employs external specialists in cases where it requires additional expertise.

### 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 publicly listed companies, clients with a good credit history (internal or external), public sector workers, and employees of certain corporate clients 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 assesses retail customers using a credit scoring methodology by which applicants are rated according to established criteria including the applicant's age, income, place of employment, employment history and credit history. Each criterion has a certain weighting depending on its performance and the credit decision is taken on the basis of the applicant's resulting credit score.

Decisions as to whether to approve a retail loan are made at different levels within the Bank depending on the customer's credit limit. All applications are examined by an underwriter. Approval by at least two employees of the Bank's Underwriting Department are required to approve a retail loan.

The Bank regularly improves the procedure for making credit decisions, taking into account market trends and focusing on improving the efficiency of the retail loan portfolio and the reduction of credit risks.

In 2012, the Bank introduced several new procedures to retail loan approval. These included making the complexity of verification dependent on an applicant's score, maintaining lists of companies with high or low credit risk employees, introducing a cross-sale strategy, the implementation of new authorisation limits and introducing new risk-based pricing.

The borrower appraisal process for retail loans includes the following steps:

- prioritisation of applications;
- review of the document package provided for accurate, and compliance with the Bank's requirements;
- review of the borrower's credit history;
- verification of the information supplied;
- review of the applicant's capacity to adequately service the proposed borrowing;
- appraisal of the applicant's income and future stability of such income;
- analysis of the applicant's monthly expenses (i.e., current debt servicing), and disposable income available for servicing debt;
- calculation of the appropriate credit limit;

- with respect to mortgage loans, verification of the title and the enforceability of any pledged security, verification of the seller's authorisation to sell the property and verification of compliance with land use regulations, with the involvement of the Bank's Collateral Evaluation and Monitoring Service, part of the Risk Division, where the value of the pledged collateral is over RUB 15 million (in which cases site visits may also be performed);
- preparation of an analyst's report, determining the applicant's eligibility and confirmation of the correct completion of the relevant documentation;
- approval by the authorised person.

As part of its retail loan approval process, the Bank utilises the services of several credit bureaus in Russia that maintain databases of retail borrowers' credit histories.

### Collateral

To minimise risks and as required by existing regulations, the Bank has an internal requirement that all corporate loan products and some retail loan products must be secured by either a pledge of assets or a corporate guarantee. Collateral is evaluated by the Risk Division's Collateral Appraisal and Monitoring Service and 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 provides for obtaining collateral to cover at least an annual payments and interest for the use of bank financing, and costs associated with the potential sale of such collateral. The Bank assesses collateral thoroughly and carefully.

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

For the Bank's retail loans, mortgage loans are secured by the underlying real estate and car loans are secured by the underlying car. 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, regional, industrial, currency and product breakdown, 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 its lending restrictions, and monitoring its repayment profile (including the time of repayments and identifying any deterioration in credit quality). The Bank's strong cash collection and delivery franchise gives it a good insight into the financial condition of some of its customers and the Bank uses this insight to adjust its exposure to 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 collection and delivery activities.
- **Collateral monitoring.** This is required on a continuous basis by internal regulations to confirm the actual condition and value of collateral, and timely identify any possible legal risks which could 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 collateral.

### Loan Recovery

The Bank has certain loan recovery procedures to deal with both corporate and retail loan customers that have been identified as problematic loan customers. These functions are performed both internally by the Bank and by external agencies. Retail loan recovery consists of the following multi-stage procedure:

- **«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 past the due date, 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 that 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, commencing pretrial proceedings and visiting the client in attempt to negotiate an out of court settlement.
- **Legal.** 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, arrest and sale of collateral, arrest of accounts or working with receivables assigned or with guarantors. Corporate loan recovery is also performed by a collection service that receives from the Bank registers of past due loans once they are recognised as such by the Bank's Credit Committee.

### Loan Portfolio Lending Limits

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

As at 31 December 2012, the Bank's largest single borrower (grouped by holding company) to which it was exposed accounted for RUB 5.4 billion or 2.6% of the Bank's gross loan portfolio. The Bank's largest related party lending exposure as a percentage of total capital was 0.9% as at 31 December 2012.

### Loan Classification, Provisioning and Write-offs

The Bank classifies loans overdue by 90 days or more as NPLs. The Bank's loan portfolio also includes loans that have been renegotiates and would otherwise be past due or impaired. Such renegotiating activity typically includes agreeing a new repayment schedule with the borrower that enables the borrower to return to the original repayment schedule and is aimed at managing customer relationships and maximizing the quality of the loan portfolio. Renegotiated loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

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 and the respective allowances for impairment only if it believes that actions to recover debt would imply more costs than the amount recovered. Under the Bank's internal policy, an NPL can be written off on the basis of the relevant 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 authorities.

The level of the Bank's NPLs as a percentage of total loans to customers was 1.0% as at 31 December 2012. NPLs in the Bank's corporate loan portfolio accounted for 0.2% of total loans to corporate customers and NPLs in the Bank's retail loan portfolio accounted for 3.2% of total loans to retail customers as at the same date.

The Bank's ratio of total impairment allowance to overdue loans (classified as overdue by one day or more) was 151.0%, 141.5% and 128.0% as at 31 December 2012, 2011 and 2010, respectively. The Bank's ratio of total impairment allowance to NPLs was 238.9% as at 31 December 2012.

The Bank regularly sells its NPLs to third parties. 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 affect income or the value of 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 equity financial instruments, which are exposed to general and specific market movements and changes 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 rate maturity and currency positions and 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 financial impact of different market scenarios.

### 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 and that the majority of its operations are undertaken in the domestic currency

The Bank conducts foreign exchange activities both for its own account and on behalf of customers. 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 ALCO sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the CBR. The following measures are taken to manage the Bank's currency risk:

- the Bank's compliance with CBR Instruction #124-I "On establishing the amounts (limits) of open currency positions, the procedure of their calculation and the peculiarities of exercising supervision over the compliance by credit institutions" is ensured by the Treasury Department checking that the Bank's open foreign currency position in certain foreign currencies and precious metals is below 3% of the Bank's equity capital which is an internal limit of the Bank that is significantly below the 10% limit of CBR Instruction #124-I.
- limits are set on the amount of the Bank's open position in each currency and are regularly reviewed using the VAR method and limits on losses con nected with unfavourable currency exchange rates changes are set (stop-loss limits).
- the Bank uses an automated system controlling the amount of its open foreign currency position.

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

The table below sets out the exposure of the Bank's assets and liabilities to foreign currency risk as at 31 December 2012.

| | RUB | USD | Other currencies | Total |
|---|---|---|---|---|
| **ASSETS** | RUB thousands | | | |
| Cash and cash equivalents | 36 895 421 | 6 526 493 | 4 037 161 | **47 459 075** |
| Obligatory reserves with the Central Bank of the Russian Federation | 2 545 772 | — | — | **2 545 77** |
| Due from credit institutions | 9 493 741 | 3 027 050 | — | **12 520 791** |
| Financial instruments at fair value through profit or loss | 29 849 129 | 1 835 687 | — | **31 684 816** |
| Available-for-sale securities | 3 213 557 | 2 234 037 | — | **5 447 594** |
| Loans to customers | 166 113 500 | 28 419 960 | 6 701 062 | **201 234 522** |
| Property and equipment | 6 079 620 | — | — | **6 079 620** |
| Other assets | 1 688 149 | 32 264 | 34 782 | **1 755 195** |
| **Total assets** | **255 878 889** | **42 075 491** | **10 773 005** | **308 727 385** |
| **LIABILITIES** | | | | |
| Deposits by credit institutions | 10 459 968 | 21 701 901 | 3 021 864 | **35 183 733** |
| Deposits by customers | 167 087 563 | 14 271 818 | 7 654 723 | **189 014 104** |
| Debt securities issued | 33 959 910 | 6 043 178 | 10 702 | **40 013 790** |
| Income tax liability | 2 734 411 | — | — | **2 734 411** |
| Other liabilities | 2 178 774 | 171 752 | 138 528 | **2 489 054** |
| **Total liabilities** | **216 420 626** | **42 188 649** | **10 825 817** | **269 435 092** |
| **Net position before hedging** | **39 458 263** | **(113 158)** | **(52 812)** | **39 292 293** |
| Spot contracts | (1 558 528) | 786 652 | 771 876 | — |
| **Net position** | **37 899 735** | **673 494** | **719 064** | **39 292 293** |

### Interest Rate Risk

The Bank is exposed to interest rate risk, which is the risk of changes to the Bank's financial condition or results of operations based on adverse movements in interest rates, when it lends to customers at interest rates, in amounts and at maturities that differ from the interest rates, amounts and maturities at which the Bank attracts funding. Although most of the Bank's assets and liabilities have fixed interest rates, the terms of the Bank's main corporate loan products with terms of over one month generally provide for the Bank's right to revise interest rates in accordance with market benchmark trends. 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 assumes supervising the level of the Bank's interest incomes and expenses, as well as supervising changes in the value of the Bank's assets and liabilities.

When carrying out the aforementioned supervision, the following actions are undertaken:

- evaluation of statistical parameters of changes in the level of profitability of active instruments, and the cost of raising of equities;
- preparation of a forecast reflecting the prospects of impact of the above factors on the level of the Bank's operations interest rate risk during the assessed period;
- permanent monitoring of the current market conditions, and analysis of principles of the tariff policy of the main market operators, for purposes of establishing interest rates on raised resources.

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

The table below sets out the Bank's exposure to interest rate risk, based on matching maturities of interest-bearing assets and liabilities, as at 31 December 2012.

| | < 1 month | 1–6 month | 6–12 month | Over 1 year | Overdue | Total |
|---|---|---|---|---|---|---|
| | RUB thousands | | | | | |
| Interest-bearing assets | 35 910 697 | 79 986 901 | 43 309 939 | 110 560 570 | 1 299 071 | 271 067 178 |
| Interest-bearing liabilities | 39 233 012 | 65 756 926 | 73 587 387 | 53 866 131 | — | 232 443 456 |
| **Net interest sensitivity gap** | **(3 322 315)** | **14 229 975** | **(30 277 448)** | **56 694 439** | **1 299 071** | **38 623 722** |

### Securities Portfolio Risk

Securities portfolio 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, which it actively trades, 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 2012 was RUB 31.7 billion. Available-for-sale securities as at 31 December 2012 were RUB 5.4 billion.

Securities portfolio risk management includes the following:

- limitation of the amount of price risk assumed through establishing limits in terms of quality of instruments;
- regular comprehensive analysis of contractors 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 allowing to estimate 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 the depth of retrospective of 3 years, time horizon of 1 calendar month, and confidence interval of 99%;
- control over compliance with the set limits and restrictions for price risk assumption, current monitoring organization, analysis and accounting in terms of the price risk.

As at end-2012 76.3% of the Bank's total bond portfolio consisted of highly liquid bonds from the CBR Lombard and Repo lists, which are eligible for repo transactions, which gives the Bank the flexibility to seek liquidity from the CBR if required, but also reflects the fact that the securities can be relatively easily exchanged for cash in the relevant market.

The Bank has established internal limits applicable to proprietary 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 Division and approved by ALCO, taking into consideration the Bank's liquidity position and various liquidity management scenarios. The Bank's equity investments are insignificant, i.e. represented 0.07% of the Bank's total securities portfolio as at 31 December 2012.

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank is exposed to several types of operational risk, including unauthorised transactions by employees, operational errors by employees such as clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems and the risk that the Bank will be used for money laundering and financing of terrorist activities. To manage its operational risks, the Bank has an Operational Risk Control Department, which is part of the Internal Control Division. The Internal Control Division reports directly to the Supervisory Board and conducts internal audits of the Bank on an ongoing basis.

The aims of the Operational Risk Control Department are to obtain an operative and fair view of the state and extent of the operational risks facing the Bank, evaluate the risk both qualitatively and quantitatively, identify the risk at an early stage and respond so as to prevent the risk from reaching levels that are considered substantial for the Bank.

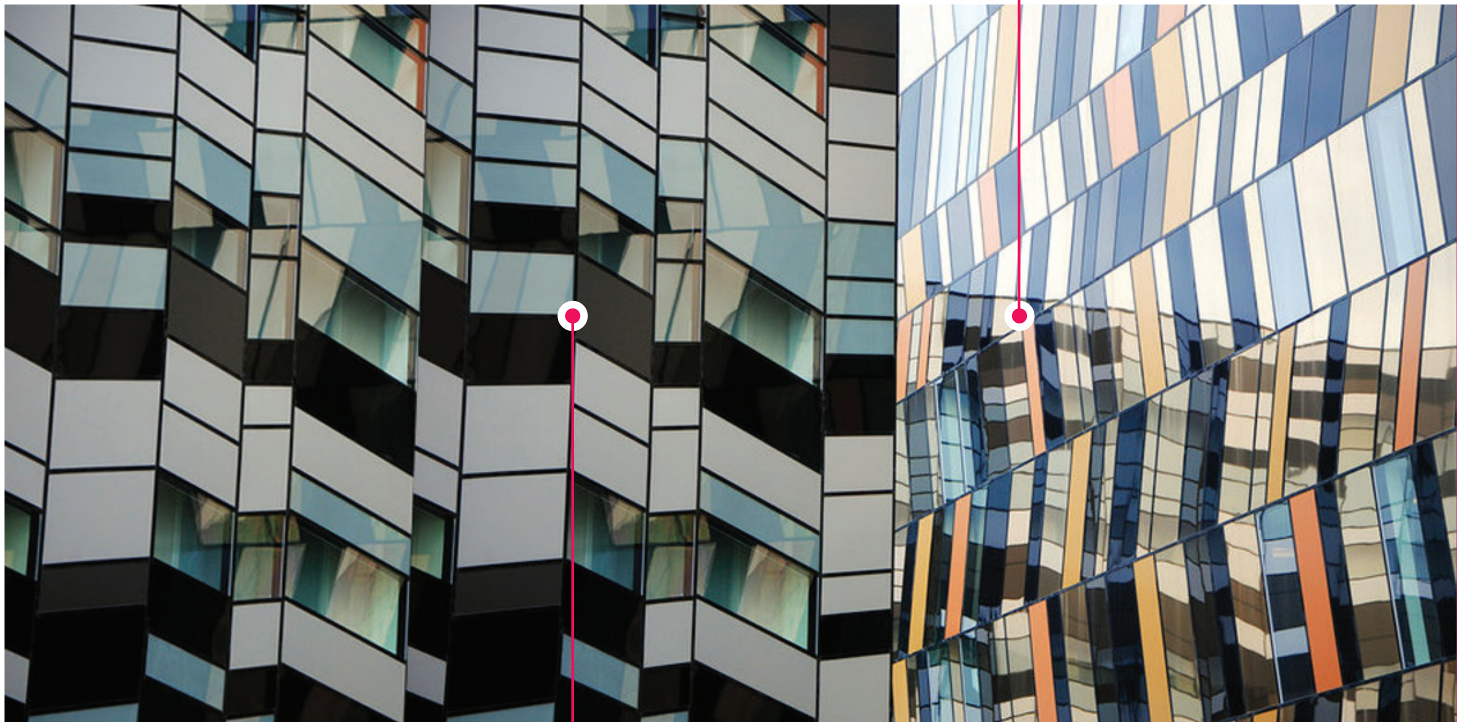
To minimise its operational risks, the Bank recruits qualified staff, provides training, updates operational procedures, monitors the security of its IT systems and ensures that its infrastructure systems are robust. Furthermore, the Bank decreases its operational risk level by insuring its assets.

The efficiency of the arrangements put in place is controlled under the existing internal control system and is compliant with CBR regulations and recommendations of the Basel Committee on Banking Supervision.

### Reputational Risk

Reputational risk has the potential to negatively affect revenue, as a negative perception of the Bank's creditworthiness, reliability, quality of services and its general trustworthiness may lead to a reduction in the number of customers. The possibility and amount of reputational risk-connected losses depend on the risk level in the Russian banking sector on the whole.

**12**
Members of the Supervisory Board



# 6

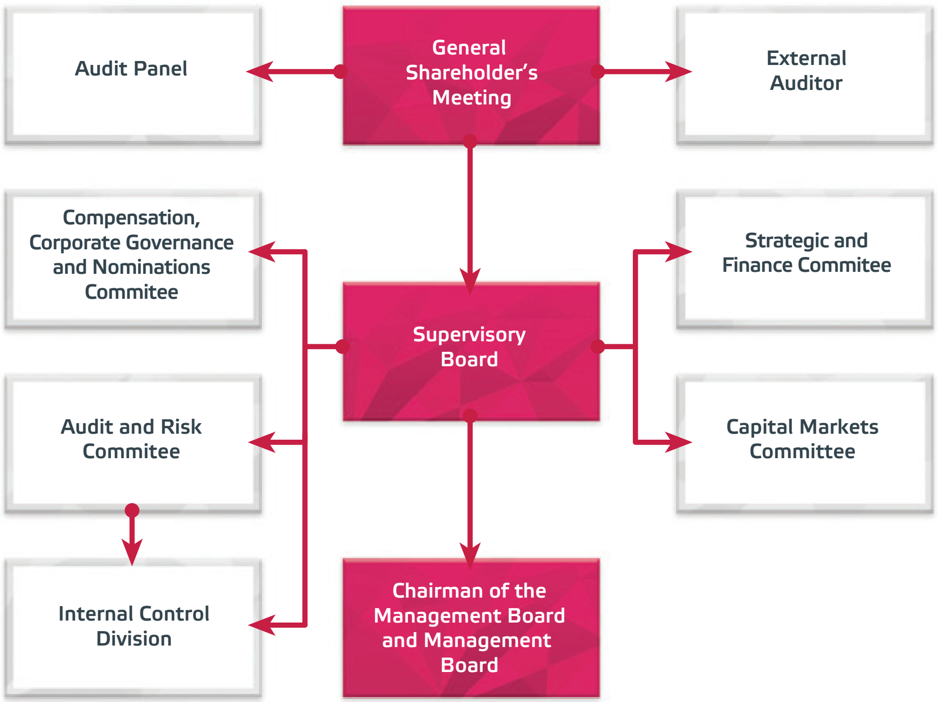
# Corporate governance

**7**
Independent directors on the Supervisory Board



CREDIT BANK OF MOSCOW

The Bank's corporate governance system involves a relationship and interaction between the governing and control bodies of the Bank. The structure is as follows:




## Corporate governance system

The General Shareholders' Meeting is the supreme body of the Bank. It sets the Bank's goals and development strategy. The Supervisory Board formed by the General Shareholders' Meeting and accountable to it takes care of the general management of the Bank. It identifies 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 established and functioning to optimize the work of the Supervisory Board by carrying out deep study and preparing weighted recommendations on decisions taken in the areas of audit and risk, remuneration and corporate governance, raising of funds on international capital markets and investor relations, development of strategic objectives, development direction of the Bank, and assessment of the efficiency of the Bank's activities.

There are control bodies functioning in the corporate governance system in order to fully serve the interests of the Bank's shareholders and investors and enhance the effectiveness of the Bank's managing bodies. These control bodies operate with strict observance of the current Russian laws and in accordance with modern international practices. Below are the bodies.

- External auditor hired annually to examine the financial statements of the Bank.
- Audit and Risk Committee elected by the General Shareholders' Meeting and accountable to it. The Committee has control over the financial and economic activities of the Bank and oversees the Bank's compliance with the accounting laws of the Russian Federation.

- The Internal Control Division oversees compliance by the Bank and its employees with the laws of the Russian Federation. It ensures timely identification of risks in banking activity and resolution of conflicts of interest that may arise in the course of activities.

The current multi-tiered monitoring system ensures that shareholders are confident in the policy pursued by the Bank management, that investors are confident in the Bank and its managing bodies. It also ensures an effective assessment of banking risks.

## 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 pursuant to 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 making resolutions at the Bank's General Shareholders' Meeting as provided for by the law of the Russian Federation, the Bank's Charter and this Code;
- comply with a procedure for calling and holding the Bank's General Shareholders' Meeting enabling equally its participants to express their views;
- comply with a procedure for making material corporate actions enabling its shareholders to get full information thereon and securing observance of their rights regardless of their class;
- procure equal access for all the Bank's shareholders to the same information and a common information procedure for all shareholder classes;
- maintain 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 actions to settle any conflicts between the Bank's management bodies and its shareholders, and between shareholders where such conflict affects the Bank's interests.

### Manageability

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

- maintain a safe and efficient system of recording shareholders' rights to shares, and facilitate free and prompt disposal of their shares;
- comply with a procedure for calling and holding the Bank's General Shareholders' Meeting enabling shareholders to be advised thereof, to properly prepare therefor, and to check the list of persons entitled to participate therein;
- choose place, date and time for holding the Bank's General Shareholders' Meeting so that its shareholders could effectively and non-onerously participate therein and exercise their rights to participate in the managing of the Bank;
- comply with nomination conditions provided for by the law of the Russian Federation and the Bank's Charter for electing members of the Bank's Supervisory Board;
- establish common qualification requirements for nominations to the Bank's Supervisory Board, and rigorously observe the cumulative voting procedure

for electing thereto, which is a pre-condition for respecting shareholders' rights to participate in the managing 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 true 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-grounded decisions. To implement this corporate governance principle, the Bank shall:

- provide its shareholders with detailed information for each matter on the agenda of a forthcoming General Shareholders' Meeting for the shareholders to get a clear view thereof;
- provide its shareholders with an annual report containing all necessary information for appraising the Bank's performance in that year;
- establish a reasonable procedure for the Bank's shareholders to obtain any information on the Bank's activities they may be interested in;
- specify and maintain a procedure to control the treatment of any confidential information and commercial and / or banking secrets;
- comply with legal requirements regarding disclosure of information to be mandatorily made known to shareholders.

The procedure for shareholders access to information and the list of, and procedure for access to, information subject to banking and commercial secrecy are set out in the Bank's Charter and bylaws.

### Openness

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

- use a dividend amount and payment procedure determination mechanism transparent and understandable to shareholders, and facilitate as much as possible the receipt of dividends;
- provide its shareholders with any requested information regarding the Bank's financial results and net income distribution proposals for the shareholders to have a correct understanding of the Bank's dividend paying capability;
- make the Bank's financial statements and annual reports available to its shareholders.

### Transparency

This principle ensures maximum transparency of the Bank's officers' performance. 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, with all its shareholders to be appropriately informed of such persons;
- observe an absolute ban on any insider trading.

The procedure for election of, and 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 bylaws.

### Controllability

This principle implies that the Bank's Supervisory Board performs strategic management of the Bank and effectively controls its executive bodies' performance, 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 business activities;

- establish requirements for nominees to the Bank's Supervisory Board screening those who can ensure the most effective performance of its functions;
- establish a policy ensuring active involvement of the Bank's Supervisory Board members in managing the Bank, with clear regulation of procedural matters;
- take actions for improving the Bank's Supervisory Board structure by creating committees for pre-examination of the most important issues reserved to the Bank's Supervisory Board;
- take actions to establish effective control over the Bank's Management Board performance by setting a procedure for the Management Board's reporting to the Bank's Supervisory Board.

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

### Efficiency

This principle enables the Bank's Management Board, acting reasonably and in good faith, to run efficiently the Bank's current activities, and 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, set out responsibilities of the Bank's Management Board reflected in the Bank's Charter;
- by fulfilling the duties assigned to the Bank's Supervisory Board, maintain a system for controlling the Bank's Management Board performance, including fulfilment by it of the provisions of the Bank's Development Strategy, in pursuit of the most efficient discharge by it of its functions;
- keep remuneration of the Chairperson and members of the Management Board and other officers of the Bank in line with their qualification and actual contribution to the Bank's results;
- procure that the Bank's Management Board reasonably respects in its activities the interests of third parties, the Bank's clients and partners, the state and local authorities on whose territory the Bank is present;
- maintain a system of recruiting and HR management encouraging the Bank's employees to be more interested in efficient performance of the Bank and enabling progressive and steady growth of 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 ethical norms for the Bank's shareholders. This corporate governance principle may only be implemented with direct involvement and free will of the Bank's shareholders by excluding:

- abuse by the Bank's shareholders of their rights;
- shareholders actions intended 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 the effective legislation.

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

## Changes in corporate governance in the reporting period. Areas for development.

In the reporting period, the Bank regularly worked to improve its corporate governance system with the best domestic and international practices. Diversifying the Bank's shareholder structure was of vital importance in this process: in addition to the majority shareholder, it now includes international development institutions, which, in turn, give priority attention to the level of corporate governance standards and their conformity to the principles of corporate governance best recognized in international practice.

The main activities carried out in 2012 and aimed at improving the Bank's corporate governance system included the following:

- The Bank's Supervisory Board membership was reinforced: in April the Supervisory Board was joined by Andrew Gazitua, who has many years of experience in investment banking and capital markets. In November the number of Supervisory Board members was brought to twelve with the inclusion of William Owens, experienced in finance, oil sector and serving for many years on public companies' boards, ex-Governor of Colorado, and Vadim Sorokin, possessing vast experience of performing executive roles for Russian banks in finance, investor relations and strategic development, and nominated to the Bank's Supervisory Board by the European Bank for Reconstruction and Development.
- The Bank's Charter was amended expanding the competence of the Supervisory Board in terms of greater control over the Bank's activities and increasing the frequency of internal meetings of the Supervisory Board.
- The General Shareholders' Meeting approved the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW and the Regulation on the Person Authorised to Act as the Counting Commission of CREDIT BANK OF MOSCOW. These Regulations shall regulate the procedure for the adoption and execution of resolutions of the General Shareholders' Meeting and ensure the latter access to participation in the Bank management.
- The Supervisory Board of the Bank for more profound consideration of the relevant issues and to ensure the effective work of the Supervisory Boards created the Capital Markets Committee, the Compensation, Corporate Governance and Nominations Committee and the Strategic and Finance Committee, and approved the applicable Regulations.
- An institutional investor relations unit was established in the Bank. It aims at providing investors with the most complete and accurate information about the activities of the Bank, its financial position, goals and strategies.
- The Bank developed and adopted the Code of Corporate Ethics to ensure that business principles and rules based are complied with based on acceptance of moral and ethical values and observance of professional standards.

Taking into account international best practices for corporate governance (OECD Principles of Corporate Governance), the Bank, among other things, plans to take the following measures in the future in line with its corporate governance development plan approved in 2013:

- to incorporate a corporate secretary institute into the structure of the managing bodies;
- to rework the Bank's code of corporate governance and provisions regulating the managing bodies of the Bank in line with international principles and standards of corporate governance (OECD Principles of Corporate Governance, recommendations of the Basel Committee on Banking Supervision regulating the managing bodies of the Bank);
- to develop and adopt a system of remuneration of members of the Supervisory Board and the Management Board of the Bank.

Annex 3 contains information on the Bank's compliance in 2012 with the Code of Corporate Conduct recommended for use by the Order #421/r of the Russian Federal Securities Commission effective from 4 April 2002.

Information on deals requiring approval is contained in Annex 4.

## General Shareholders' Meeting

The General Shareholders' Meeting is the supreme managing body of the Bank. Participation of shareholders in general meetings is the basic form of exercising shareholder rights to participate in the Bank's management.

The procedure for preparing and holding a General Shareholders' Meeting is regulated by the Bank's Charter and by the Regulation "On the General Shareholders' Meeting of CREDIT BANK OF MOSCOW".

In 2012, CREDIT BANK OF MOSCOW did not hold an annual meeting for the year 2011 because before July 2012, the Bank's shareholder structure consisted of only the sole shareholder, who, according to the law "On Joint Stock Companies", exercised its right to participate in the management of the Bank through sole decision-making.

Institutional investors became one of the Bank's shareholders in July 2012. They are the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). IFC Russian Bank Capitalization Fund, LP later became the Bank's shareholder through transfer of part of the shares owned by IFC to Cyprus holding company RBOF Holding Company I Ltd. controlled by IFC Russian Bank Capitalization Fund LP.

Two extraordinary shareholders meetings were held in 2012, which considered the following issues:

- approving a restated Charter of CREDIT BANK OF MOSCOW.
- electing new members to the Supervisory Board.
- electing the person authorised to act as the counting commission of CREDIT BANK OF MOSCOW.
- the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW and approving the Regulation on the Person Authorised to Act as the Counting Commission of CREDIT BANK OF MOSCOW.

## Supervisory Board

The Supervisory Board is responsible for general management of the Bank. It defines the priority areas of the Bank, elects the executive bodies of the Bank, offers recommendations on the amount of dividends to be paid and their payment procedure, approves the reports of the Internal Control Department, and creates its committees.

The powers of the Supervisory Board are defined in the Bank's Charter and Regulation "On the Supervisory Board of CREDIT BANK OF MOSCOW". These documents also regulate the issues of convening and holding meetings of the Supervisory Board and establish the basic qualification requirements for membership of the Supervisory Board.

The current members of the Supervisory Board acting as of end-2012 were elected at the Extraordinary General Shareholders' Meeting held on 28 November 2012 through a cumulative voting. The powers of the current Supervisory Board is valid till the next Annual Meeting of Shareholders to be held in 2013. As of 31 December 2012, the current Supervisory Board had 12 members, 7 of whom are independent directors in line with the independence criteria prescribed by the Charter of the Bank. This proportion of independent directors is in line with international practice and ensures objectivity, balance and independence of decision-making.

Meetings of the Supervisory Board are called by its Chairman at his own discretion or by request of any member of the Supervisory Board, the Audit Panel of the Bank, the auditors firm, the Management Board of the Bank or the Chairman of the Management Board. The procedure for calling and holding meetings of the Supervisory Board is stipulated by the Bank's bylaws.

The Bank's Charter and the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW stipulate that at least four meetings shall be held in a year, and at least one in each calendar quarter.

Twenty-nine Supervisory Board meetings were held in 2012 (including meetings in absentia). The meetings considered the following issues.

- adoption of the Bank's development strategy;
- election of executive bodies of the Bank;
- review of reports and adoption of the plans of the Internal Control Department of the Bank;
- creation of Supervisory Board committees and election of members to these committees;
- review of the Bank's financial results;
- approval of the internal documents of the Bank;
- approval of related party transactions.

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### Sandy Vaci

Independent Director — Chairman of the Supervisory Board

Born on June 22, 1957, Hungary.
Education: in Canada, holds a BSc. from University of Victoria and an Honours Degree from the Canadian Securities Institute.

International banker with 30 years experience in 50 countries on 4 continents.

Started career at Procter & Gamble North America, held increasingly senior positions at Royal Trust of Canada, CIBC, Cadbury International, Citibank Global, Raiffeisen International and RBS. Held Management Board positions at Citibank, been Permanent Delegate to the Supervisory Board of Raiffeisen International and member of the Senior Leadership Team of The Royal Bank of Scotland Group, Europe.

Currently Partner, Board Practices at Leaders' Den UK, Senior lecturer in MBA studies at the Maastricht School of Management and the Business School of Central European University and advisor to companies such as The World Bank, Morgan Stanley, Unilever and TEVA.

Member of the European Financial Management Association (Paris) and the Lafferty International Advisory Board (London) and Director, of Bay Devonshire Limited UK.

Has been a member of the Supervisory Board of the Bank since 2008, and was holding position of the Chairman of the Supervisory Board from the above date to April 16, 2013. No stake in the Bank's charter capital.

### Richard Glasspool

Independent director, Member of the Supervisory Board

Born on 27 May 1956 in United Kingdom.
Education: in 1978 graduated from the University of Manchester. In 1983 became a Fellow of the Institute of Chartered Accountants in England and Wales

Began his career in the auditing company Arthur Andersen&Co in London and was Finance Manager in Amersham International plc, Financial Controller in Extel plc thereafter.

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

At present holds position of Director of Bowker Glasspool Consult Ltd. (UK), an Independent Consultant of OGN Investment Partners, a Non-Executive Director in SLP Production Limited, and an Independent Consultant in a number of projects.

Has been a member of the Supervisory Board of the Bank since 2008. No stake in the Bank's charter capital.

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### Genadi Lewinski

Independent director,
Member of the Supervisory Board

Born on 24 November 1976 in Kiev, Ukraine
Education: Graduated from the University of Bielefeld

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.

Education: University of Bielefeld with a degree in legal studies in 2003. After mandatory practice in the District Court of Bielefeld, in 2006 was admitted officially to the Bar.

Also received Special Education in Corporate and Trade Law. In 2006 Mr. Lewinski has built up a prosperous law firm.

Has been a member of the Supervisory Board of the Bank since 2010. No stake in the Bank's charter capital.

### Nikolay V. Kosarev

Independent director,
Member of the Supervisory Board

Born on 10 November 1950 in the City of Elektrostal, Moscow Region
Education: Moscow State Institute of Irrigation Engineering (1973), degree of candidate of economic science

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

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

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### Mustafa Boran

Independent director,
Member of the Supervisory Board

Born on 1 January 1969 in Kayseri, Turkey
Education: Marmara University, Istanbul (Turkey); Policy Economics at the University of Illinois (USA)

Mr. Boran occupies position of Vice President in BSTDB since 2010.

Mr. Boran started his career at the Undersecretariat of Treasury of the Republic of Turkey in 1993 as an expert. Having occupied progressively responsible positions, he became Chief of Division at General Directorate for Foreign Direct Investments in 2000. In 2004 he moved to the Directorate General for State Economic Enterprises (SEEs). From 2006 to June 2010 he was Deputy Director General and Deputy National Authorizing Officer (NAO) with the Directorate General for Foreign Economic Relations negotiating, managing, implementing and evaluating EU-funded programs in Turkey and selecting projects for financing. Mr. Boran also served as a member of the BSTDB Board of Directors for Turkey in 2006-2009.

Member of the Bank's Supervisory Board since 2011. No stake in the Bank's charter capital.

### Andrew Sergio Gazitua

Independent director,
Member of the Supervisory Board

Born in 1962 in New York, USA. In 1985
Education: Graduated from Haverford College with a Bachelor of Arts in Political Science.

He 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 rejoined 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 also 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.

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### William Forrester Owens

Independent director,
Member of the Supervisory Board

Born on October 22, 1950 in Ft. Worth, Texas.
Education: University of Texas (USA), Stephen F. Austin State University (USA)

Mr Owens embarked on his professional career as a consultant at the Big Eight firm of Touche Ross & Co. (now Deloitte) , later moving to the oil sector. 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 was for 5 years (2007-2012) an independent director of FESCO, a Russian shipping, logistical and port company listed on MICEX-RTS. Mr. Owens also chaired FESCO's Strategic Committee.

Currently, William Owens is a 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. No stake in the Bank's charter capital.

### Vadim N. Sorokin

Member of the Supervisory Board

Born on July 22, 1969 in Moscow
Education: State Finance Academy
Certified Public Accountant of the American Institute of Certified Public Accountants (AICPA),
Member of the Institute for Professional

Vadim Sorokin worked as CFO & VP in Aljba Alliance bank from 1995 to 1997. Since 1997 he had been a partner and the Head of Financial Services Practice for the CIS in Deloitte. In 2008 he joined MDM Bank as a Deputy Chairman of the Management Board and as such supervised the finance block of the bank and investor relations, led the bank's strategy development and interacted with the Board of Directors. Since 2010 he has been the CFO and a member of the Management Board and Board of Directors of Technosila.

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 since 2012. No stake in the Bank's charter capital.

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### Roman I. Avdeev

Member of the Supervisory Board

Born in 1967 in Odintsovo, Moscow region
Education: Lipetsk State Technical University (1996), certificate in banking from Moscow International University of Business and Information Technologies (1994)

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

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

### Alexander N. Nikolashin

Member of the Supervisory Board

Born on 16 October 1966 in Moscow
Education: Saratov Higher Military Command School named after E. Dzerzhinsky (1988), Moscow State Social University (2005)

Alexander Nikolashin joined the Bank in 1994 with security experience. During his career, he supervised the Bank's retail business, legal work, branch network operation, HR service, cash collection and security services. From 2008 to 2012 held the office of the Chairman of the Management Board of the Bank, after that he became the President of the Bank. In March of 2013 Mr. Nikolashin became the President of MCB Capital, asset management company created by Roman I. Avdeev, the Bank's major shareholder, to manage the Bank's and other of his assets.

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

## CREDIT BANK OF MOSCOW's Supervisory Board

members as of 31 December 2012

### Vladimir A. Chubar

Member of the Supervisory Board

Born on 18 July 1980 in Bezhetsk, Tver region
Education: The Finance Academy under the Government of the Russian Federation (2005)

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

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

### Anton R. Avdeev

Member of the Supervisory Board

Born on 26 February 1988 in Odintsovo, Moscow region

Since 2010 has occupied position of Member of the Supervisory Board. Currently acts as the Advisor to Vice President of the Production Facilities Development Department of Asset Management Company «MCB Capital».

No stake in the Bank's charter capital.

## Supervisory Board Committees

The following Committees are formed by the Supervisory Board of the Bank:

- **the Audit and Risk Committee;**
- **the Capital Markets Committee;**
- **the Compensation, Corporate Governance and Nominations Committee;**
- **the Strategic and Finance Committee.**

Supervisory Board Committees are created and responsible for conducting comprehensive assessment of issues on which the Supervisory Board takes decisions. The main task of the Committees is to make recommendations on the most significant issues. The Committees make only recommendatory decisions and are not management bodies of the Bank.

The Committees are made of members of the Supervisory Board who are not members of the executive bodies of the Bank. According to the Bank's bylaws, these Committees must have at least one independent director.

The Audit and Risk Committee of the Supervisory Board is formed to select independent auditors, analyse efficiency of internal control and risk management procedures implemented in the Bank and advise the Supervisory Board of the Bank on their improvement when making decisions with respect thereto.

Members of the Audit and Risk Committee of the Supervisory Board of the Bank as of December 31, 2012:

| | |
|---|---|
| **Richard Glasspool** | Member of the Supervisory Board of the Bank (Chairman of the Committee) |
| **Vadim N. Sorokin** | Member of the Supervisory Board of the Bank (member of the Committee) |
| **Anton R. Avdeev** | Member of the Supervisory Board of the Bank (member of the Committee) |

The Capital Markets Committee of the Supervisory Board of the Bank is formed to advise the Supervisory Board of the Bank on the Bank's international capital market funding strategy, optimisation of internal processes and building an internal interaction model in connection with international capital market funding.

Members of the Capital Markets Committee of the Supervisory Board of the Bank as of December 31, 2012:

| | |
|---|---|
| **Andrew Sergio Gazitua** | Member of the Supervisory Board of the Bank (Chairman of the Committee) |
| **Vladimir A. Chubar** | Chairman of the Management Board of the Bank, member of the Supervisory Board of the Bank (member of the Committee) |
| **Nicholas Dominic Haag** | Independent Advisor to the Chairman of the Management Board of the Bank (member of the Committee) |

The Compensation, Corporate Governance and Nominations Committee of the Supervisory Board of the Bank is formed to direct the HR policy for recruiting highly qualified specialists to the Supervisory Board, Management Board and for the office of the Chairman of the Management Board, to formulate remuneration and compensation principles and criteria for them and to develop a transparent motivation system for them.

Members of the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board of the Bank as of December 31, 2012:

| | |
|---|---|
| **Sandy Vaci** | Chairman of the Supervisory Board of the Bank (Chairman of the Committee) |
| **Roman I. Avdeev** | Member of the Supervisory Board of the Bank (member of the Committee). |

The Strategic and Finance Committee of the Supervisory Board of the Bank is formed to ensure adoption of reasonable resolutions by the Supervisory Board as regards setting strategic goals for the Bank, selecting its priority lines of business, making recommendations on the Bank's dividend policy and appraising the Bank's long-term performance, and to advise the Supervisory Board on adjusting the Bank's existing development strategy with a view to enhance the Bank's performance having regard to the domestic and foreign market trends, performance results of the Bank and its competitors, and other factors.

Members of Strategic and Finance Committee of the Supervisory Board of the Bank as of December 31, 2012:

| | |
|---|---|
| **William Forrester Owens** | Member of the Supervisory Board of the Bank (Chairman of the Committee) |
| **Andrew Sergio Gazitua** | Member of the Supervisory Board of the Bank (member of the Committee) |
| **Alexander N. Nikolashin** | President of the Bank, Supervisory Board member (member of the Committee). |

### Remuneration of the Bank's Supervisory Board

The Bank's remuneration policy assumes payments of fixed remunerations to individual members of the Supervisory Board, as well as their compensation of reasonable expenses incurred in the course of performing their duties. The total amount of remunerations for 2012 to the members of the Supervisory Board was RUB 33,088 thousand.

## 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 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 implementation of any resolutions of the General Shareholders' Meeting and the Supervisory Board, and any recommendations of the Audit Panel; arranging matters related to the organisation and management of the Bank's day-to-day activities; forming committees for any activities of the Bank and delegating thereto some of the powers of the Management Board under respective committee regulations approved by the Management Board; setting out the Bank's organisational structure and total number, and considering the Bank's staff chart.

The Chairman of the Management Board directs Management Board proceedings, represents the Bank and makes transactions without any power of attorney, disposes of the Bank's property, arranges accounting and reporting in the Bank, and resolves other issues 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 Management Board and Chairman of the Management Board report to the Supervisory Board.

During 2012 the Management Board was left by Alexander N. Nikolashin, formerly the Chairman of the Management Board, and Yulia V. Nikolaeva. In 2012 the Management Board was joined by: Marina M. Nastashkina, Evgeny V. Sandler, Yulia B. Podobrazhnykh and Yury A. Ubeev.

**Vladimir A. Chubar**
Chairman of the Management Board, member of the Supervisory Board of the Bank

Born on 18 July 1980 in Bezhetsk, Tver region
Education: The Finance Academy under the Government of the Russian Federation

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

Born on 14 December 1978 in Moscow
Education: The Academy of Federal Security Service of the Russian Federation (2001), Moscow Institute of Economics and Finance (2003).
With the Bank since 2002. No stake in the Bank's charter capital.

**Svetlana V. Sass**
Chief Accountant

Born on 1 April 1965 in Moscow
Education: Moscow State University of Economics, Statistics and Informatics (1987).
With the Bank since 2008. No stake in the Bank's charter capital.

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

Born on 20 June 1981 in Moscow
Education: Moscow Academy of Economics and Law (2003).
With the Bank since 2006. No stake in the Bank's charter capital.

The Management Board consisted of 8 top managers as of 31.12.2012

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

Born on 10 June 1970 in Moscow. Education Mendeleev Moscow Institute of Chemistry and Technology (1994). With the Bank since 1998. No stake in the Bank's charter capital.

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

Born on 21 October 1974 in Vladimir. Education: East Siberia State University of Technology and Management, degree in management (1996). With the Bank since 2011. No stake in the Bank's charter capital.

**Yulia B. Podobrazhnykh**
Director of Risk Division

Born on 15 May 1975 in Solnechnogorsk, Moscow Region. Education: State University of Food Production, degree in Accounting and Audit (1997), State University of Management, degree in Banking Management (2003). With the Bank since 2003. No stake in the Bank's charter capital.

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

Born on 17 September 1980 in Bryansk. Education: Bryansk State Technical University (2002), second university degree in Economics & Management, MBA degree in the Academy of National Economy under the Government of the Russian Federation (2008). Ph.D. in Economics. With the Bank since 2008. No stake in the Bank's charter capital.

The Management Board consisted of 8 top managers as of 31.12.2012

### 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 activities. It protects the interests of the Bank's investors and clients by ensuring that the Bank employees comply with Russian laws, regulations and professional standards. It allows for a level of reliability appropriate to the nature of the Bank's operations and minimizes banking risks. The internal control system is organized in line with the best international practices and is fully compliant with the laws of the Russian Federation. The Bank's current internal control system allows to ensure that for each essential risk, there are adequate policies, procedures, controls and other measures aimed at tackling such risks. Proper application of these policies, procedures and other measures are also checked thus maintaining reliability and efficiency of processes as a whole. The internal control system is based on a clear division of powers and responsibilities between managing bodies, subdivisions and employees of the Bank. The Bank's internal documents contain internal control requirements and information on division of power and responsibilities. The Audit and Risk Committee, which reports to the Supervisory Board, maintains the efficient functioning of the internal control system in the Bank and ensures effective participation of the Supervisory Board in exercising control over the financial and economic activities of the Bank.

The Bank attaches special importance to measures taken for anti-money laundering and combating financing of terrorism; Internal control regulations, which are based on the "Know your Customer" principle, enabled the Bank to increase its risk management efficiency in 2012.

Internal control is carried out by:

- the General Shareholders' Meeting of the Bank;
- the Supervisory Board of the Bank;
- the Management Board of the Bank;
- 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 units and employees responsible for internal control as authorised by the Bank's internal documents:
- the Internal Control Division;
- the unit (officer) in charge for internal control for anti-money laundering and combating financing of terrorism;
- stock market professional participant comptroller;
- other units as may be required by the nature and the scale of the Bank's business.

### Audit Panel

The Bank's Audit Panel is a continuing elective body forming part of the Bank's internal control system. The Audit Panel acts in the interests of the Bank and its shareholders with a view to mitigate the risks of the Bank's business activities.

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

Within its competence, the Audit Panel of the Bank inspects the Bank's compliance with applicable laws and regulations, arrangement of the Bank's internal control, legality of operations made by the Bank (by total or sample inspection) and the state of the Bank's cash and property.

According to the Bank's Charter, the Audit Panel of the Bank is to be be formed of three members elected by any General Shareholders' Meeting for the term until the next annual General Shareholders' Meeting.

On June 22, 2012 the Bank's sole shareholder elected the following persons to the Audit Panel of the Bank:

Lyubov N. Chizh — Chairperson of the Panel, Chief Accountant of Rossium Concern LLC;

Gennadiy B. Belyaev — retiree (member of the Panel);

Natalia G. Kuzmina — Head of Corporate Governance Legal Support Unit of Investment Projects and Corporate Relations Legal Support Department of Legal Division of CREDIT BANK OF MOSCOW (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, promote efficient system of, and enable actual involvement of the Supervisory Board of the Bank in, control over financial and business performance of the Bank.

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

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

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

## Internal Control Division

To conduct internal controls and provide direct assistance to the Bank's management bodies to guarantee its efficient operation by means of provision of independent and objective recommendations aimed at increasing the efficiency of the systems of internal controls, risk management and corporate governance, the Internal Control Division (ICD) functions at the Bank. The ICD supervises the compliance of 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, carries out monitoring of the efficiency of functioning of the system of adoption of resolutions and distribution of powers, system risk management, system of counteraction to the legalization (laundering) of proceeds from crime, and the financing of terrorism, as well as of other systems of provision of the Bank's activities, conducts internal audit of the Bank's units' activities. The ICD is independent in its activities. The independence of the ICD is set forth by the Bank's internal documents, and is determined by the following principles, in compliance with which the ICD:

- is subordinated and accountable to the Supervisory Board of the Bank;
- doesn't carry out activities subject to audits;
- at its own initiative, reports to the Supervisory Board of the Bank on issues emerging in the course of implementation of the ICD's functions, and proposals regarding their resolution, and also provides such information to the Chairman of the Management Board and the Management Board of the Bank. The organizational structure of the ICD includes units responsible for current monitoring and audits of corporate, retail business and information technology.

The following matters are reserved to the Management Board:

- review and appraisal of the internal control system's efficiency;
- risk management enhancement;

- audit of reliability and adequacy of procedures ensuring the safety of property;
- audit of reliability, completeness, objectivity and timeliness of accounting and management reports;
- audit of compliance with the requirements of laws and standards of self-regulated organizations;
- audit of adequacy and reliability of the system of internal controls in terms of use of automated information systems.

Within its competence, the ICD cooperates with the Bank's Audit and Risk Committee and external auditors in terms of provision of information on the system of internal controls, as well as on the major drawbacks identified by the ICD within the period checked by the auditors.

**№ 7**
Top-100 largest Russian private banks in terms of equity
Commersant Money

**№ 19**
By net assets
RBC. Rating

# 7

# Sustainable development

**№ 15**
By retail deposits
RBC. Rating

**№ 5**
In terms of loans per point of sales
RBC. Rating

## Personnel

CREDIT BANK OF MOSCOW is focused on further improving its market position in the Russian financial market and strengthening its presence in international capital markets. The Bank is fully aware that it is unrealistic to achieve high operating and financial performance, efficient management and sustainable growth without meeting the expectations of the Bank's stakeholders. This is why the Bank fully understands its responsibility to shareholders, creditors, bondholders, members of managing bodies, the Bank's employees, customers (counterparties), and the government. The Bank strives to take into account the interests of the above stakeholders in all its operations.

As of 31 December 2012, the Bank had 3770 employees. Last year, the Bank implemented measures aimed at optimizing processes and projects to improve the personnel management system. The main objective was to ensure a balance between optimal use of the performance of the professional staff to achieve the strategic objectives of the Bank and meeting the needs and expectations of employees at a decent level.

### Performance appraisal

With its modern and efficient performance appraisal system, CREDIT BANK OF MOSCOW aims at creating a team of professionals and continually cares for the professional development of its employees. The performance appraisal system is used for selecting internal and external candidates, determining the training needs of employees, creating development and career plans, identifying the best employees, creating a talent pool, and assessing the performance of employees. The Bank's appraisal methodological framework includes all the commercially available assessment technologies. In 2012, the "Assessment Center" method was deployed to assess the Retail Unit employees in order to identify possible director level employees. The outcome of this assessment was used to create and implement the Retail Unit Talent Pool program, and develop customized training programs. Express method "Career Interview" was used to introduce changes in the organizational structure of internal candidates based on "Competency Interview" assessment.

### Motivation

In 2012, the Bank placed special emphasis on analysis and assessment of the principles of motivation and remuneration of the Bank's key activities in the context of generally accepted norms and rules of payment of remuneration. This was to achieve the Bank's targets and tasks in accordance with the development strategy adopted by the Bank. In this regard, staff assessment focuses on a balanced approach that takes into account performance and risks taken.

With the purpose of strengthening the Bank's focus on achieving its objectives in the reporting period, the Bank initiated activities aimed at synchronizing policies and procedures in the field of remuneration and social programs for its staff in accordance with international norms and focus on long-term prospects.

### Training and Development

Staff training programs were held in 2012. These events, which were in line with the Bank's strategic priorities, were aimed at ensuring the staff had the system knowledge and skills required to achieve effective and quality results. These measures taken saw an improvement in the overall level of staff expertise in customer service, sales skills, product line, cross sales, and other areas.

The number of front office employees trained in cross sales for the Bank's priority products almost doubled in 2012. Product experts and employees with best sales performance were involved in developing and holding training programs.

In the reporting period, over 400 front office employees of the Bank underwent an intense product training. Training was also held in other such key areas as information technology, internal control, financial monitoring, and lending.

The training programs were organized both as the Bank's own resources and with the assistance of specialized training centres and business schools.

Advanced training of regular staff and line managers became the most important task in 2012. With this purpose in mind, the projects listed below were introduced:

- The «Retail Unit Talent Pool» project: 18 graduates of this project took leading positions in the Retail Unit in 2012. The terms of competitive selection and maintenance of the program were drafted in line with the strategic priorities of this Unit;
- The «Remote Portal» project: product divisions, quality control divisions and the staff from the Training Centre all took part in developing distance learning courses. Over 600 employees from the Retail Unit are regularly trained under this format;
- The «Development of Administrative Competences of the Retail Unit Managers» project. This project was intended to improve the overall performance of the management. Under this training program, participants developed and implemented business projects aimed at performing the strategic objectives of the Retail Unit.
- The «School of Growth» project was created to improve the professional competences of employees and heads of business divisions of the Bank. More than 100 employees took part in this project.

### Corporate culture

In the year 2012, implementing measures aimed at promoting corporate values and introducing the Code of Corporate Ethics became one of the main personnel management objectives of the Bank. In order to ensure transparency in forming corporate values, employees of the Bank underwent internal survey based on a number of key values guiding the Bank in its activities. The key values were also incorporated firmly in the Code of Corporate Ethics. The Code reflected all the principles, norms and rules of conduct and business ethics.

Communicative and creative events dedicated to the 20th anniversary of the Bank received special attention in the corporate life of the Bank in 2012. The events were aimed at improving the efficiency of existing internal communication channels and involving all the employees in the process of preparing for and participating in the Children's art festival entitled «Bright People», which was organized by the Bank with the support of the Government of Moscow. Throughout the year, the Bank also published corporate electronic newspapers on a weekly basis, which covered the traditions and important events in the life of the Bank, as well as interviews with managers and employees.

Other corporate activities related to various festivals and celebrations were also held in 2012.

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

Children and youth education is vital to the future of any country. For future innovative discoveries and healthy cultural environment, it is important for a modern society not only to convey the knowledge gained but also to discover the creative potentials in every child.

Apart from parents, the society as a whole benefits form a quality children's secondary education. This is why this issue is increasingly attracting attention from both the government authorities and socially responsible businesses. CREDIT BANK OF MOSCOW has always regarded family values highly, and its managers and employees have been involved in assisting children deprived of parental care and attention.  In honour of its 20th anniversary in 2012, the Bank decided to move to a new level by uniting the efforts of creative teams, city officials, and education and physical education staff in the development and promotion of non-formal education programs. This was how the idea to hold the Bright People children's art festival came about. On August 18, which was a few weeks before the start of a new school year, the Bank gathered the best teachers and tutors from children's creative centres, who are looking for non-standard and innovative approach to children's creative development. The event took place at the Gorky Central Park of Culture and Leisure. Together with their parents, children in the city were able to participate in interactive master classes on various topics that included theatre, circus arts, modelling, painting, mosaics, poetry and various other creative themes. Invited were 500 circus, acrobatics, theatre, and music artists from all over the world. The festival featured many mind-blowing events including the memorable show program by the event headliners. Such a major children's festival, where all the guests actively participated, was the first to be held in Moscow.

The festival was urged to initiate the revival of children's art secondary education in Russia, discover children's' talents and abilities in order to raise a new generation of bright people in the future who are ready for new discoveries and accomplishments.

Special guests at the festival were children from orphanages, who were personally taken care of by the Bank's employees themselves. For 6 hours, the employees provided support for the children at the festival venue, visited master classes with them, treated them with candies, and gave them souvenirs and gifts.

## Environmental responsibility

The Bank is actively integrating the basic social and environmental standards applied by leading international development banks into its business. The aim is to achieve sustainable business development.

In following these standards, May 2012 saw the drafting and approval of the Regulation on the policy of the Bank in the area of social and environmental activities. This Regulation comprises a comprehensive approach to the management of activities related to environment, health and safety (EHS) and to implementation of the principles of socially and environmentally oriented management in the Bank's business processes.

The principles and approaches that are being implemented within the framework of the approved social and environmental policies are fully consistent with the standards of the Bank's minority shareholders – EBRD and IFC. These shareholders have entrusted the Bank with the responsibility of pre-assessing and subsequent monitoring of transactions that may carry environmental and social risks, and also with the responsibility of overall management of the Bank's loan portfolio with relation to adherence to the social and environmental standards established.

The Bank adheres to the EBRD Performance Requirements (TP1-TP10) and the IFC Performance Standards on Environmental and Social Sustainability. Any projects related to business activities listed in the former list shall not be financed and applications related to such activity shall not be considered.

The Bank adheres to all the applicable environmental, health and safety laws of the Russian Federation. Compliance with these laws by borrowers is an important factor for the Bank in the evaluation of a customer's activity testifying to the management effectiveness of that customer's company.

Regular internal environmental audits and monitoring of portfolio helps to detect the early stages of environmental and social risks in the activities of the Bank's customers and allows to minimize such risks as soon as possible.

To achieve maximum synergy and transparency in the Bank's relations with borrowers, Russian EHS requirements and information about the list of forbidden sectors excluded from EBRD and IFC financing system are brought to the notice of each borrower by the Bank as part of its social and environmental policy. Moreover, the Bank duly ascertains the conformity of the borrower's activities with the requirements stated.

In 2012, the Bank's customers were found to have no major environmental problems, such as accidents, lawsuits, claims, fines, borrowers' non-compliance with environmental covenants included in the credit agreement. This as a result reduces the risk of borrowers having problems with debt servicing due to financial problems caused by failure to comply with environmental protection, health and safety laws.

The Bank's policy on managing social and environmental measures is implemented by divisions of the Bank. The Social and Environmental Manager is responsible for monitoring the general implementation mechanism of the social and environmental policy. This official is appointed from the top management of the Bank. The Social and Environmental Coordinator performs coordinating functions. This is an authorized official of the Bank, whose main objective is to assess compliance of the Bank's financed projects with social and environmental requirements and to provide comprehensive assistance to credit inspectors during their analytical assessment of potential borrowers. As of December 31, 2012 Dmitry A. Eremin, First Deputy Chairman of the Management Board, was the Environmental Manager; Yulia V. Solomatina, Head of International Finance Unit of Capital Markets Department of International Business and Financial Institutions Division, was acting as the Environmental Coordinator..

The Environmental Manager and the Environmental Coordinator ensure that sufficient internal resources are committed to allow for the effective implementation of the Bank's social and environmental policy. The Bank's management ensures that the Environmental Manager and the Environmental Coordinator participate in environmental training. For example, the Manager and Coordinator underwent trainings on financial stability organized by IFC in 2009 and 2011 (STEP).

CREDIT BANK OF MOSCOW annually reports to the minority shareholders on how the Bank's borrowers are complying with social and environmental requirements and on environmental and social performance of the total loan portfolio as a whole. In 2012, the Bank's loan portfolio had no bad debts caused by environmental problems.

The Bank also considers it important to continuously work towards reducing the amount of resources used to minimize the negative impact on the environment. Information on the resources spent by the Bank in its operations during 2012 is contained in Annex 5.

# 8

## Annexes

**5.8 billion rubles**
Net profit of the Bank



CREDIT BANK OF MOSCOW

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**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 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, 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 1999, Registration No 1978.

Entered in the Unified State Register of Legal Entities on 18 November 2002 by the Department of Federal Tax Service, Registration No. 1027739555282, Certificate series 77 No. 004840877.

Address of audited entity: 2 (bldg. 1), Lukov pereulok, Moscow, Russia, 107045.

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 1992, Registration No. 011.585.

Included in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

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 Organisations: No 10301000804.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Kolosov A.E., Director, power of attorney dated 3 October 2011 No. 37/11, licence No. 01-000130

ZAO KPMG

29 March 2013

Moscow, Russian Federation

*CREDIT BANK OF MOSCOW (open joint-stock company)*
*Consolidated Statement of Comprehensive Income*
*for the year ended 31 December 2012*

| | Notes | 31 December 2012 RUB'000 | 31 December 2011 RUB'000 |
|---|---|---|---|
| Interest income | 4 | 28 466 331 | 20 980 864 |
| Interest expense | 4 | (16 224 968) | (12 257 202) |
| **Net interest income** | 4 | **12 241 363** | **8 723 662** |
| Provision for impairment of loans | 13 | (1 864 717) | (1 283 719) |
| **Net interest income after provision for impairment of loans** | | **10 376 646** | **7 439 943** |
| Fee and commission income | 5 | 4 106 221 | 2 936 928 |
| Net gain (loss) on financial instruments at fair value through profit or loss | | 353 703 | (856 946) |
| Net realized gain on available-for-sale assets | | 14 704 | 39 994 |
| Foreign exchange (losses) gains, net | | (208 228) | 255 021 |
| Other operating income | | 467 248 | 182 455 |
| **Non-interest income** | | **4 733 648** | **2 557 452** |
| Salaries and employment benefits | 6 | (3 513 896) | (2 126 118) |
| Administrative expenses | 6 | (2 487 708) | (1 862 731) |
| Provision for impairment of other assets and credit related commitments | 7 | (288 856) | (247 039) |
| Depreciation of property and equipment | 14 | (407 903) | (242 048) |
| Fee and commission expense | | (428 053) | (192 366) |
| State deposit insurance scheme contributions | | (370 287) | (269 583) |
| Other operating expenses | | (366 543) | (199 170) |
| **Non-interest expense** | | **(7 863 246)** | **(5 139 055)** |
| **Profit before income taxes** | | **7 247 048** | **4 858 340** |
| Income tax | 8 | (1 469 166) | (972 806) |
| **Profit for the period** | | **5 777 882** | **3 885 534** |
| **Other comprehensive income** | | | |
| Revaluation reserve for buildings | | 769 380 | - |
| Revaluation reserve for available-for-sale securities | | | |
| - Net change in fair value | | 131 726 | (137 169) |
| - Net change in fair value transferred to profit or loss | | (45 379) | 35 814 |
| Income tax related to other comprehensive income | | (171 145) | 20 271 |
| **Other comprehensive income (loss) for the year, net of tax** | | **684 582** | **(81 084)** |
| **Total comprehensive income for the year** | | **6 462 464** | **3 804 450** |

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

*CREDIT BANK OF MOSCOW (open joint-stock company)*
*Consolidated Statement of Financial Position*
*as at 31 December 2012*

| | Notes | 31 December 2012 RUB'000 | 31 December 2011 RUB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 9 | 47 459 075 | 34 433 419 |
| Obligatory reserves with the Central Bank of the Russian Federation | | 2 545 772 | 2 259 170 |
| Due from credit institutions | 10 | 12 520 791 | 5 301 412 |
| Financial instruments at fair value through profit or loss | 11 | 31 684 816 | 22 868 251 |
| Available-for-sale securities | 12 | 5 447 594 | 2 030 678 |
| Loans to customers | 13 | 201 234 522 | 159 019 821 |
| Property and equipment | 14 | 6 079 620 | 4 969 932 |
| Other assets | 15 | 1 755 195 | 1 488 070 |
| **Total assets** | | **308 727 385** | **232 370 753** |
| **LIABILITIES AND EQUITY** | | | |
| Deposits by credit institutions | 16 | 35 183 733 | 24 964 128 |
| Deposits by customers | 17 | 189 014 104 | 146 690 886 |
| Debt securities issued | 18 | 40 013 790 | 31 118 869 |
| Deferred tax liability | 8 | 2 608 594 | 2 074 397 |
| Current tax liability | 8 | 125 817 | 15 870 |
| Other liabilities | 19 | 2 489 054 | 1 898 697 |
| **Total liabilities** | | **269 435 092** | **206 762 847** |
| **Equity** | | | |
| Share capital | 20 | 13 539 763 | 11 638 088 |
| Additional paid-in capital | | 9 019 295 | 3 699 047 |
| Revaluation surplus for buildings | | 1 115 928 | 500 424 |
| Revaluation reserve for available-for-sale securities | | 16 061 | (53 017) |
| Retained earnings | | 15 601 246 | 9 823 364 |
| **Total equity** | | **39 292 293** | **25 607 906** |
| **Total liabilities and equity** | | **308 727 385** | **232 370 753** |
| Commitments and Contingencies | 21-23 | | |

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.

*CREDIT BANK OF MOSCOW (open joint-stock company)*
*Consolidated Statement of Cash Flows*
*for the year ended 31 December 2012*

| | Notes | 31 December 2012 RUB'000 | 31 December 2011 RUB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net income** | | **5 777 882** | **3 885 534** |
| Out of which: | | | |
| - Interest income received | | 29 020 623 | 21 206 266 |
| - Interest expense paid | | (16 328 369) | (11 133 384) |
| - Income tax paid | | (1 120 573) | (327 181) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for impairment of loans | 13 | 1 864 717 | 1 283 719 |
| Depreciation and amortization | | 408 007 | 242 884 |
| Deferred tax | 8 | 1 910 | 716 676 |
| Revaluation of financial instruments at fair value through profit or loss | | (693 185) | 735 120 |
| Provision for impairment of other assets and credit related commitments | 7 | 288 856 | 247 039 |
| Change in accrued interest income | | 554 292 | 159 472 |
| Change in accrued interest expense | | 125 671 | 678 917 |
| Other | | (76 257) | 301 462 |
| **Operating cash flows before changes in operating assets and liabilities** | | **8 251 893** | **8 250 823** |
| **(Increase) decrease in operating assets** | | | |
| Obligatory reserves with the Central Bank of the Russian Federation | | (286 602) | (1 502 586) |
| Due from credit institutions | | (7 501 432) | (4 478 956) |
| Financial instruments at fair value through profit or loss | | (8 267 817) | 3 735 101 |
| Loans to customers | | (47 401 634) | (55 657 388) |
| Other assets | | (495 664) | (676 254) |
| **Increase (decrease) in operating liabilities** | | | |
| Deposits by credit institutions | | 7 554 193 | (3 025 179) |
| Deposits by customers | | 44 767 553 | 55 243 039 |
| Promissory notes | | 1 628 721 | (10 551 690) |
| Other liabilities | | (21 910) | 400 211 |
| **Net cash used in operations** | | **(1 772 699)** | **(8 262 879)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net (purchase) sale of available-for-sale securities | | (3 369 770) | 2 395 388 |
| Net purchase of property and equipment and intangible assets | | (612 644) | (806 212) |
| **Net cash (used in) from investing activities** | | **(3 982 414)** | **1 589 176** |

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

*CREDIT BANK OF MOSCOW (open joint-stock company)*
*Consolidated Statement of Cash Flows*
*for the year ended 31 December 2012*

| | Notes | 31 December 2012 RUB'000 | 31 December 2011 RUB'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issuance of common stock | | 5 762 075 | 4 500 000 |
| Proceeds from subordinated borrowings | | 1 316 216 | 982 398 |
| Repayment of subordinated borrowings | | (625 076) | - |
| Proceeds from syndicated borrowings | | 9 493 638 | 4 864 375 |
| Repayment of syndicated borrowings | | (4 360 792) | (5 022 958) |
| Proceeds from issuance of subordinated bonds | | 3 000 000 | - |
| Proceeds from issuance of other bonds | | 8 122 989 | 16 315 336 |
| Repayment of other bonds | | (3 602 205) | (4 103 013) |
| **Net cash from financing activities** | | **19 106 845** | **17 536 138** |
| **Effect of exchange rates changes on cash and cash equivalents** | | (326 076) | 234 558 |
| **Change in cash and cash equivalents** | | **13 025 656** | **11 096 993** |
| Cash and cash equivalents, beginning of the period | | 34 433 419 | 23 336 426 |
| **Cash and cash equivalents, end of the period** | 9 | **47 459 075** | **34 433 419** |

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.

*CREDIT BANK OF MOSCOW (open joint-stock company)*
*Consolidated Statement of Changes in Equity*
*for the year ended 31 December 2012*

| | Share capital RUB'000 | Additional paid-in capital RUB'000 | Revaluation surplus for buildings RUB'000 | Revaluation reserve for available-for-sale securities RUB'000 | Retained earnings RUB'000 | Total equity RUB'000 |
|---|---|---|---|---|---|---|
| **1 January 2011** | **7 138 088** | **162 686** | **500 424** | **28 067** | **5 937 830** | **13 767 095** |
| Total comprehensive income for the period | - | - | - | (81 084) | 3 885 534 | **3 804 450** |
| Transactions with owners, recorded directly in equity | | | | | | |
| Shares issued | 4 500 000 | - | - | - | - | **4 500 000** |
| Contribution from the majority shareholder (net of deferred tax of RUB 884 090 thousand) (note 20) | - | 3 536 361 | - | - | - | **3 536 361** |
| **Total transactions with owners, recorded directly in equity** | **4 500 000** | **3 536 361** | - | - | - | **8 036 361** |
| **31 December 2011** | **11 638 088** | **3 699 047** | **500 424** | **(53 017)** | **9 823 364** | **25 607 906** |
| Total comprehensive income for the period | - | - | 615 504 | 69 078 | 5 777 882 | **6 462 464** |
| 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 20) | - | 1 459 848 | - | - | - | **1 459 848** |
| **Total transactions with owners, recorded directly in equity** | **1 901 675** | **5 320 248** | - | - | - | **7 221 923** |
| **31 December 2012** | **13 539 763** | **9 019 295** | **1 115 928** | **16 061** | **15 601 246** | **39 292 293** |

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.

***TO SHAREHOLDERS***
***OF CREDIT BANK OF MOSCOW (open joint-stock company)***

**AUDITED COMPANY**

***Full name:*** CREDIT BANK OF MOSCOW (open joint-stock company)

***Short name:*** CREDIT BANK OF MOSCOW

***Number and date of state registration:***

Certificate of state registration of credit institution No. 1978 issued by the Central Bank of the Russian Federation on August 18, 1999.
Certificate of making a record into the Unified State Register of Legal Entities No. 1027739555282 issued by the Department of the Federal Tax Service for the City of Moscow on November 18, 2002.

***Registered office:***
2 (bldg. 1) Lukov pereulok, Moscow 107045, Russian Federation

**AUDITOR**

***Full name:*** Closed Joint-Stock Company "AORA" Audit Firm

***Short name:*** CJSC "AORA" AF

***Principal state registration number:*** 1027700283423.

***Registered office:*** 32 Begovaya str., Moscow 125284.

***Membership in self-regulatory organisation of auditors:***
Full member of self-regulatory organisation Non-Commercial Partnership "Moscow Audit Chamber".

***Number in the Register of Auditors and Audit Organisations of self-regulatory organisation of auditors:*** 11203064638.

We have audited the accompanying annual report of CREDIT BANK OF MOSCOW (open joint-stock company).

The annual report comprises the following forms:

1) form No. 0409806 Balance Sheet (published form);
2) form No. 0409807 Profit And Loss Statement (published form);
3) form No. 0409814 Cash Flow Statement (published form);
4) form No. 0409808 Report on Capital Adequacy, the Amount of Provision for Impairment of Doubtful Loans and Other Assets (published form);
5) form No. 0409813 Information on Mandatory Ratios (published form);
6) Explanatory Note to 2012 Annual Report.

**AUDITED COMPANY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

CREDIT BANK OF MOSCOW's management is responsible for the preparation and fair presentation of this annual report in accordance with the Russian rules for the preparation of annual reports, and for such internal control as management determines is necessary to enable the preparation of the annual report 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 financial statements based on our audit.

We conducted our audit in accordance with the Federal Auditing Standards. 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 annual report. 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 annual report 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 annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of this annual report.

**Opinion**

In our opinion, the annual report presents fairly, in all material respects, the financial position of the credit institution CREDIT BANK OF MOSCOW as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with the Russian rules for the preparation of annual reports.

**Opinion as required by Federal Law No. 395-I "On Banks and Banking Activities" dated December 2, 1990**

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. 110-I On Banks' Prudential Ratios dated January 16, 2004 as at the reporting dates within 2012.

We have not found any evidence of the Bank's management structure and internal control arrangements being inadequate to the nature and scale of its operations at the present stage of the Russian banking services sector's development.

**Annex:** CREDIT BANK OF MOSCOW'S Annual Report for the period from 1 January to 31 December 2012 on 34 pages:

1) form No. 0409806 Balance Sheet (published form) on 1 page;
2) form No. 0409807 Profit And Loss Statement (published form) on 1 page;
3) form No. 0409814 Cash Flow Statement (published form) on 1 page;
4) form No. 0409808 Report on Capital Adequacy, the Amount of Provision for Impairment of Doubtful Loans and Other Assets (published form) on 1 page;
5) form No. 0409813 Information on Mandatory Ratios (published form) on 1 page;
6) Explanatory Note to 2012 Annual Report on 32 pages.

**Date of the auditors' report:**
**March 28, 2013**

Auditor of Bank Audit Division [*AORA's seal*] [*signature*] I.A. Papush
acting under power of attorney
No. 25/10/2012 dated October 25, 2012
(qualification certificate No. 06-000125 dated August 29, 2012
for an indefinite term)

Banking Statements

| Code of territory by OKATO | Code of Credit Institution | | | |
|---|---|---|---|---|
| | by OKPO | Principal State Registration Number | Registration Number (/Serial Number) | BIC |
| 45 | 09318941 | 1027739555282 | 1978 | 044585659 |

BALANCE SHEET
(published form)
as at 01 January 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 0409806
Quarterly (Annual)
(RUB '000)

| No. | Item | As at reporting date | As at corresponding reporting date of previous year |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| | **I. ASSETS** | | |
| 1 | Cash | 10 829 487 | 7 235 146 |
| 2 | Placements with Central Bank of the Russian Federation | 9 951 773 | 9 952 980 |
| 2.1 | Mandatory reserves | 2 545 772 | 2 259 170 |
| 3 | Placements with financial institutions | 6 265 575 | 3 575 350 |
| 4 | Net investment in securities at fair value through profit or loss | 25 196 238 | 23 020 476 |
| 5 | Net loans to customers | 238 849 175 | 175 332 826 |
| 6 | Net investment in securities and other financial assets available for sale | 9 912 111 | 2 308 597 |
| 6.1 | Investment in affiliated organisations | 0 | 0 |
| 7 | Net investment in investment securities held to maturity | 0 | 0 |
| 8 | Premises and equipment, intangible assets and inventories | 5 867 825 | 4 637 653 |
| 9 | Other assets | 3 123 942 | 2 816 756 |
| 10 | Total assets | 309 996 126 | 84 183 280 |
| | **II. LIABILITIES** | | |
| 11 | Loans, deposits and other funds of the Central Bank of the Russian Federation | 0 | 0 |
| 12 | Amounts due to credit institutions | 23 991 976 | 12 173 154 |
| 13 | Customer accounts (non-credit institutions) | 212 391 211 | 163 026 152 |
| 13.1 | Deposits of individuals | 105 735 676 | 23 452 606 |
| 14 | Financial liabilities at fair value through profit and loss | 0 | 0 |
| 15 | Debt securities in issue | 40 953 680 | 33 423 386 |
| 16 | Other liabilities | 3 756 800 | 3 415 513 |
| 17 | Provisions for possible losses on off-balance sheet credit related commitments, other possible losses and | 657 505 | 553 236 |
| 18 | Total liabilities | 281 751 172 | 212 591 441 |
| | **III. EQUITY** | | |
| 19 | Funds of shareholders (partners) | 12 677 833 | 10 776 158 |
| 20 | Treasury shares | 0 | 0 |
| 21 | Share premium | 4 023 086 | 162 685 |
| 22 | Reserve funds | 4 313 214 | 3 617 495 |
| 23 | Revaluation at fair value of securities available for sale | 88 482 | -9 053 |
| 24 | Revaluation of premises and equipment | 1 738 397 | 805 650 |
| 25 | Undistributed profit of past years (prior year losses) | 239 688 | 239 688 |
| 26 | Unused profit (loss) for the reporting period | 5 164 254 | 695 720 |
| 27 | Total equity | 28 244 954 | 16 288 343 |
| | **IV. OFF-BALANCE LIABILITIES** | | |
| 28 | Irrevocable commitments of credit institution | 29 268 873 | 17 434 403 |
| 29 | Guarantees and sureties issued by credit institution | 40 586 746 | 29 869 161 |
| 30 | Non-credit contingencies | 216 175 | 214 784 |

Chairman of the Management Board [*signature*] V.A. Chubar

Seal
[*CBM's seal*]
Chief Accountant [*signature*] S.V. Sass

Prepared by: S.V. Leonova

11 March 2013

Banking Statements

| Code of territory by OKATO | Code of Credit Institution by OKPO | Principal State Registration Number | Registration Number (/Serial Number) | BIC |
|---|---|---|---|---|
| 45 | 09318941 | 1027739555282 | 1978 | 044585659 |

PROFIT AND LOSS STATEMENT
(published form)
as at 01 January 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: | 28 646 966 | 21 150 801 |
| 1.1 | Interest on placements with credit institutions | 607 792 | 174 036 |
| 1.2 | Interest on loans to other customers (non-credit institutions) | 25 358 536 | 18 088 477 |
| 1.3 | Interest on services under finance lease | 0 | 0 |
| 1.4 | Interest on securities portfolio | 2 680 638 | 2 888 288 |
| 2 | Total interest expense, including: | 15 979 925 | 12 128 528 |
| 2.1 | Interest on funds borrowed from credit institutions | 980 127 | 694 114 |
| 2.2 | Interest on customer accounts (non-credit institutions) | 12 117 438 | 8 545 843 |
| 2.3 | Interest on debt securities issued | 2 882 360 | 2 888 571 |
| 3 | Net interest income (negative interest margin) | 12 667 041 | 9 022 273 |
| 4 | Movement in provision for possible losses on loans, loan and similar debt, funds placed on corresponding accounts and interest income accrued, total, including: | -2 476 522 | -3 950 485 |
| 4.1 | Movement in provision for possible losses on interest income accrued | -32 984 | 85 086 |
| 5 | Net interest income (negative interest margin) after provisioning for possible losses | 10 190 519 | 5 071 788 |
| 6 | Net income from operations with securities at fair value through profit and loss | 234 006 | -811 991 |
| 7 | Net income from operations with securities available for sale | 41 423 | 47 321 |
| 8 | Net income from operations with securities held to maturity | 6 224 | -595 |
| 9 | Net income from operations with foreign currencies | -862 260 | 482 481 |
| 10 | Net income from revaluation of foreign currencies | 800 903 | -424 468 |
| 11 | Income from shareholding in other legal entities | 481 | 152 |
| 12 | Commission income | 3 611 694 | 2 834 068 |
| 13 | Commission expense | 720 761 | 592 330 |
| 14 | Movement in provision for possible losses on securities available for sale | 5 765 | 955 |
| 15 | Movement in provision for possible losses on securities held to maturity | 0 | 0 |
| 16 | Movement in provision for other losses | -253 709 | -255 844 |
| 17 | Other operating incomes | 1 025 451 | 306 568 |
| 18 | Net income (expense) | 14 079 736 | 6 658 105 |
| 19 | Operating expenses | 6 787 421 | 5 339 092 |
| 20 | Profit (loss) before taxation | 7 292 315 | 1 319 013 |
| 21 | Tax charged (paid) | 2 128 061 | 623 293 |
| 22 | After-tax profit (loss) | 5 164 254 | 695 720 |
| 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 | 5 164 254 | 695 720 |

Chairman of the Management Board [*signature*] V.A. Chubar

Seal
[*CBM's seal*]

Chief Accountant [*signature*] S.V. Sass

Prepared by: S.V. Leonova

11 March 2013

Banking Statements

| Code of territory by OKATO | Code of Credit Institution by OKPO | Principal State Registration Number | Registration Number (/Serial Number) | BIC |
|---|---|---|---|---|
| 45 | 09318941 | 1027739555282 | 1978 | 044585659 |

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

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 |
| 1 | Net cash from/used in operating activities | | |
| 1,1 | Cash from/used in operating activities before changes in operating assets and liabilities, total, including: | 5 718 305 | 705 037 |
| 1.1.1 | Interest received | 28 099 001 | 21 344 711 |
| 1.1.2 | Interest paid | -16 132 987 | -11 172 430 |
| 1.1.3 | Commissions received | 3 611 694 | 2 834 086 |
| 1.1.4 | Commissions paid | -720 761 | -592 330 |
| 1.1.5 | Gains less losses from trading in financial assets at fair value through profit or loss available for sale | -847 125 | -453 068 |
| 1.1.6 | Gains less losses from trading in securities held to maturity | 6 224 | -595 |
| 1.1.7 | Gains less losses from trading in foreign currencies | -862 260 | 482 481 |
| 1.1.8 | Other operating income received | 1 134 043 | 260 092 |
| 1.1.9 | Operating expense paid | -6 472 694 | -5 123 199 |
| 1.1.10 | Expense/refund on income tax paid | -2 096 830 | -689 734 |
| 1.2 | Increase/decrease in net cash from operating assets and liabilities, total, including: | 2 744 612 | -9 452 067 |
| 1.2.1 | Net increase/decrease in mandatory reserves with the Bank of Russia | -286 602 | -1 502 586 |
| 1.2.2 | Net increase/decrease in trading in securities at fair value through profit or loss | -1 179 245 | 4 135 239 |
| 1.2.3 | Net increase/decrease in loans to customers | -67 853 681 | -68 441 068 |
| 1.2.4 | Net increase/decrease in other assets | -53 899 | -110 284 |
| 1.2.5 | Net increase/decrease in loans, deposits and other funds of the Bank of Russia | 0 | 0 |
| 1.2.6 | Net increase/decrease in due to other banks | 12 893 734 | -10 626 554 |
| 1.2.7 | Net increase/decrease in customer accounts (non-credit institutions) | 51 347 491 | 62 218 329 |
| 1.2.8 | Net increase/decrease in financial liabilities at fair value through profit or loss | 0 | 0 |
| 1.2.9 | Net increase/decrease in promissory notes issued | 7 758 892 | 4 366 577 |
| 1.2.10 | Net increase/decrease in other liabilities | 117 922 | 538 280 |
| 1.3 | Total for Section 1 (items 1.1 + item 1.2) | 8 462 917 | -2 562 071 |
| 2 | Net cash from/used in investment activities | | |
| 2.1 | Purchase of securities and other financial assets classified as available for sale | -19 433 613 | -6 476 533 |
| 2.2 | Proceeds from sale and repayment of securities and other financial assets classified as available for sale | 11 937 597 | 8 620 900 |
| 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 | -556 886 | -769 520 |
| 2.6 | Proceeds from sale of premises and equipment, intangible assets and material assets | 14 814 | 2 121 |
| 2.7 | Dividends received | 481 | 152 |
| 2.8 | Total for Section 2 (sum of items 2.1 to 2.7) | -8 037 607 | 1 377 120 |
| 3 | Net cash from/used in financing activities | | |
| 3.1 | Contributions of shareholders (partners) to charter capital | 5 762 076 | 4 500 000 |
| 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) | 5 762 076 | 4 500 000 |
| 4 | Effect of changes in official exchange rates of foreign currencies to rouble set by the Bank of Russia on cash and cash equivalents | -188 139 | 251 029 |
| 5 | Increase in/use of cash and cash equivalents | 5 999 247 | 3 566 078 |
| 5.1 | Cash and cash equivalents at the beginning of the reporting year | 18 492 106 | 14 926 028 |
| 5.2 | Cash and cash equivalents at the end of the reporting year | 24 491 353 | 18 492 106 |

Chairman of the Management Board [*signature*] V.A. Chubar

Seal
[*CBM's seal*]

Chief Accountant [*signature*] S.V. Sass

Prepared by: S.V. Leonova

11 March 2013

Banking Statements

| Code of territory by OKATO | Code of Credit Institution by OKPO | Principal State Registration Number | Registration Number (/Serial Number) | BIC |
|---|---|---|---|---|
| 45 | 09318941 | 1027739555282 | 1978 | 044585659 |

Report on capital adequacy, the amount of provision for impairment of doubtful loans and other assets

(published form)

as at 01 January 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 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 | 24572609.0 | 15 399 753 | 39972362.0 |
| 1.1 | Charter capital of the credit institution, including: | 10776158.0 | 1 901 675 | 12677833.0 |
| 1.1.1 | Nominal value of registered ordinary shares (stakes) | 10776158.0 | 1 901 675 | 12677833.0 |
| 1.1.2 | Nominal value of registered preference shares | 0 | 0 | 0 |
| 1.2 | Treasury shares | 0 | 0 | 0 |
| 1.3 | Share premium | 162685.0 | 3 860 401 | 4023086.0 |
| 1.4 | Reserve funds | 3617495.0 | 695 719 | 4313214.0 |
| 1.5 | Profit or loss from activity taken into consideration for equity (capital) calculation: | 1005364.0 | 4 450 555 | 5455919.0 |
| 1.5.1 | of past years | 283459.0 | 9 508 | 292967.0 |
| 1.5.2 | for the reporting year | 721905.0 | 4 441 047 | 5162952.0 |
| 1.6 | Intangible assets | 176.0 | -173 | 3.0 |
| 1.7 | Subordinated debt (loan, deposit, bond issue) | 8205433.0 | 3 558 483 | 11763916.0 |
| 1.8 | Equity (portion of equity) formed by investors with the use of improper assets | 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) | 11.7 | x | 13.0 |
| 4 | Provision for possible losses actually recorded (RUB'000), total, including: | 11903994.0 | 2 645 245 | 14549239.0 |
| 4.1 | on loans, loan and similar debt | 10923937.0 | 2 361 050 | 13284987.0 |
| 4.2 | on other assets exposed to risk of losses and other losses | 426822.0 | 179 925 | 606747.0 |
| 4.3 | on off-balance sheet credit related commitments and forwards | 462281.0 | 106 915 | 569196.0 |
| 4.4 | for settlements with off-shore zone residents | 90954.0 | -2 645 | 88309.0 |

For reference only:

1. Buildup (additional charge) of the provision for possible losses on loans, loan and similar debt in the reporting period (RUB'000), total 33900673,
including as a result of:
1.1. issue of loans 18595026;
1.2. changes in quality of loans 8764872;
1.3. changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 2449206;
1.4. other reasons 4091569.
2. Recovery (reduction) of the provision for possible losses on loans, loan and similar debt in the reporting period (RUB'000), total 31539623,
including as a result of:
2.1. write-off of irrecoverable loans 116899;
2.2. repayment of loans 21000252;
2.3. changes in quality of loans 4527617;
2.4. changes in official exchange rates of foreign currency to rouble established by the Bank of Russia 2194846;
2.5. other reasons 3700009.

Chairman of the Management Board [*signature*] V.A. Chubar

Seal
[*CBM's seal*]

Chief Accountant [*signature*] S.V. Sass

Prepared by: S.V. Leonova

11 March 2013

Banking Statements

| Code of territory by OKATO | Code of Credit Institution by OKPO | Principal State Registration Number | Registration Number (/Serial Number) | BIC |
|---|---|---|---|---|
| 45 | 09318941 | 1027739555282 | 1978 | 044585659 |

INFORMATION ON MANDATORY RATIOS

(published form)

as at 01 January 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 0409813
Annual
percent

| No. | Item | Regulatory value | Actual value: As at reporting date | Actual value: As at corresponding reporting date of previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1 | Capital adequacy ratio (N1) | 10.0 | 13.0 | 11.7 |
| 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 | 105.5 | 173.4 |
| 4 | Current liquidity ratio (N3) | 50.0 | 147.3 | 130.7 |
| 5 | Long term liquidity ratio (N4) | 120.0 | 56.9 | 56.9 |
| 6 | Maximum exposure to single borrower or a group of related borrowers (N6) | 25.0 | Maximum 17.2<br>Minimum 0.9 | Maximum 13.8<br>Minimum 0.8 |
| 7 | Maximum amount of major credit risks (N7) | 800.0 | 174.2 | 265.2 |
| 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 | 2.1 | 1.2 |
| 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

Seal
[*CBM's seal*]

Chief Accountant [*signature*] S.V. Sass

Prepared by: S.V. Leonova

11 March 2013

| No. | Provision of the Code of Corporate Conduct | Compliance | Comments |
|---|---|---|---|
| | **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 | Yes | 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 | Yes | Art. 51 of the Federal Law «On Joint-Stock Companies» and cl. 5.4. of the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW |
| 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 | Yes | Shareholders are sent emails with information (materials) to be presented in contemplation of General Shareholders' Meetings. They may also inspect the said information (materials) at the Bank's premises |
| 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 | Yes | The Bank itself retrieves the list of shareholders |
| 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 | Partly | 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 "to clarify the Bank's performance results to the shareholders, explain the case for any resolutions of the General Meeting and give any further clarifications regarding any items of its agenda and any procedural questions". Furthermore, the Regulation on the General |

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|---|---|---|---|
| | | | Shareholders' Meeting of CREDIT BANK OF MOSCOW specifies that any General Meeting shall be chaired by the Chairman of the Supervisory Board of the Bank or, if absent or refusing, by one of the Supervisory Board members attending |
| 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 | No | Although attendance of the said persons is not required by the Bank's bylaws, the Bank seeks to ensure their attendance where appropriate, as set out by clause 13.15 of the Regulation on General Shareholders' Meeting of CREDIT BANK OF MOSCOW (such persons may be invited to attend a General Shareholders' Meeting) |
| 7 | The company's bylaws shall specify a registration procedure for the General Shareholders' Meeting | Yes | 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 | Yes | 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 | Partly | The Risk Management Policy approved by the Management Board of the Bank is being updated and shall be submitted for approval to the Supervisory Board within a year |
| 10 | The charter shall authorise the board of directors to suspend director general appointed by the General Shareholders' Meeting | N/A | Formation of the Bank's executive bodies 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 | Yes | 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 12.36.17 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 Control Division |
| 12 | The charter shall empower the board of directors to approve contracts with the director general and members of the management board | Yes | 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.<br>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 | No | The Bank's bylaws do not provide for approving contracts with the Chairman and members of the Management Board at the Supervisory Board's level |
| 14 | The board of directors shall include at least 3 independent directors qualifying under the Code of Corporate Conduct | Yes | The Supervisory Board of the Bank includes 7 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 | Yes | 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 | Yes | |

| | | | |
|---|---|---|---|
| 17 | The charter shall require that the board of directors is elected by cumulative vote | Yes | Under Clause 12.38 of the Bank's Charter, Supervisory Board members are elected by cumulative voting only |
| 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 | Yes | This requirement is provided for by the Bank's Corporate Governance 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 | Yes | Under the Insider information access policy and rules for protecting its confidentiality and ensuring compliance with Federal Law No. 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 implementing regulations, Supervisory Board members must notify the Bank of any trades in financial instruments and / or foreign currency concerned with Insider Information within 10 (Ten) days of the making of any such trades |
| 20 | Corporate bylaws shall require that meetings of the board of directors be held at least once in every six weeks | No | 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 | Yes | 29 Supervisory Board meetings were held in the reporting year |
| 22 | Corporate bylaws shall specify the procedure for meetings of the board of directors | Yes | 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 | Yes | Clause 12.36.27 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 | Yes | 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) | Yes | The Bank has in place the Strategic and Finance Committee of CREDIT BANK OF MOSCOW's 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 | Yes | The Bank has in place the Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board |
| 27 | The audit committee shall only consist of independent and non-executive directors | No | Under Clause 4.2. of the Regulation on the Audit and Risk Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committee is formed of 3 (Three) members elected out of Supervisory Board members who are not members of the Bank's executive bodies. The Committee must have at least one member who is an independent director. The Committee is chaired by an independent director qualifying under the Bank's Charter criteria for independent directors |
| 28 | The audit committee shall be chaired by an independent director | Yes | 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 | Yes | 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 | Yes | The Bank has in place the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board |

| | | | |
|---|---|---|---|
| 31 | The personnel and remuneration committee shall be chaired by an independent director | Yes | 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 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 | Yes | 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 2 (Two) 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) | No | 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) | Yes | Any corporate conflicts are to be settled by the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board |
| 35 | No corporate officers may be appointed to the committee for settlement of corporate conflicts | Yes | Under Clause 4.2. of the Regulation on the Compensation, Corporate Governance and Nominations Committee of CREDIT BANK OF MOSCOW's Supervisory Board, the Committtee is formed of 2 (Two) 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 | Yes | 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 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 | Yes | 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 | No | However, most of the incumbent members of CREDIT BANK OF MOSCOW's Supervisory Board are independent |
| | **Executive Bodies** | | |
| 39 | Any company shall have a management board | Yes | 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 | No | The Bank's Charter imposes additional requirements on the making of certain transactions, other than major or interested party transactions. For example, cl. 12.36.27 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 |
| 41 | Corporate bylaws shall specify an approval procedure for any transactions beyond its business plan | Yes | Clauses 12.36.24 and 12.36.27 of the Bank's Charter |
| 42 | No competitor participants, director general (managing director), officers or employees may be in the executive bodies | Yes | 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 | Yes | 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. 135-I |
| 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 | N/A | 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 | No | However, the Bank's Corporate Governance Code provides a procedure to settle any corporate conflicts. The Bank plans to develop and adopt a bylaw outlining a procedure to deal with conflicts of interests.<br>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) | N/A | 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 | No | 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.<br>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 | Yes | |
| | **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 | Yes | The Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW provides for the office of General Shareholders' Meeting Secretary whose duty is to ensure compliance by corporate bodies and officers with procedural requirements protecting shareholders' rights and lawful interests. The Supervisory Board has elected an officer acting as the Supervisory Board Secretary who is also the General Shareholders' Meeting Secretary |

| | | | |
|---|---|---|---|
| 50 | The charter or corporate bylaws shall specify a procedure of appointing (electing), and duties of, corporate secretary | Yes | Specified in the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW |
| 51 | The charter shall specify qualification requirements for corporate secretary | No | The Bank plans to amend the Charter by adding provisions on the Bank's Corporate Secretary, and approve a separate bylaw which shall regulate authorities and duties of the Bank's Corporate Secretary |
| | **Material Corporate Actions** | | |
| 52 | The charter or corporate bylaws shall require prior approval of major transactions | Yes | Clauses 12.9.19 and 12.36.16 of the Bank's Charter |
| 53 | An independent appraiser shall be engaged to assess market value of any assets subject of a major transaction | Partly | 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) | No | 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 | No | 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 | Yes | |
| 57 | The charter or corporate bylaws shall require that an independent appraiser be engaged to assess the stock conversion rate in case of reorganisation | No | The Bank's bylaws do not so require.<br>This matter is regulated by law |

## Disclosure

| | | | |
|---|---|---|---|
| 58 | The board of directors shall approve bylaws setting out corporate rules of and approach to disclosure (Information Policy) | Yes | The Bank has in place the Regulation on Information Disclosure in CREDIT BANK OF MOSCOW |
| 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 | No | The Bank plans to develop and approve an information policy document. Currently, this matter is regulated by law |
| 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 | Yes | 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 | Yes | www.mkb.ru;<br>www.e-disclosure.ru/portal/company.aspx?id=202 |
| 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 | Yes | Disclosure is made in full compliance with the applicable Russian laws.<br>The Bank additionally plans to develop and approve an information policy document |
| 63 | Corporate bylaws shall require disclosure of any transactions which might affect the market value of shares | Yes | Disclosure is made in full compliance with the applicable Russian laws.<br>The Bank plans to develop and approve bylays in relation to the Bank's information policy |
| 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 | Yes | The Bank has adopted and implemented:<br>• CREDIT BANK OF MOSCOW's Insider Information List;<br>• 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 implementing regulations |

### Control over Business Activities

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|---|---|---|---|
| 65 | The board of directors shall approve procedures for internal control over corporate business activities | Yes | The Bank has the Internal Control Division (ICD) reporting to the Supervisory Board.<br>ICD's head is appointed and remunerated by resolution of the Supervisory Board, who also approves the Regulation on the Internal Control Division of CREDIT BANK OF MOSCOW.<br>ICD 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) | Yes | The Bank has in place:<br>• Audit Panel;<br>• Internal Control Division |
| 67 | Corporate bylaws shall require that the board of directors set out the structure and composition of the internal control service | Yes | The ICD's head is appointed and remunerated by resolution of the Supervisory Board. The number of staff in the Internal Control Division is set by the Chairman of the Management Board so as to be sufficient for the Bank to perform efficiently and for internal control goals and tasks to be achieved |
| 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 | Yes | |
| 69 | No executives officers or competitor participants, director general (managing director), officers or employees may serve in the internal control service | Yes | |
| 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 | Partly | Regulation on the Internal Control Department 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 |

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| 71 | Corporate bylaws shall require the internal control service to report any identified irregularities to the audit committee, failing which the board of directors | Yes | This is required by the Regulation on the Internal Control Department of CREDIT BANK OF MOSCOW. After registration of amendments No. 1 to the Bank's Charter, that Regulation shall be updated to reflect recent organisational changes to the Bank's internal control service |
| 72 | Corporate bylaws shall require the internal control service to appraise preliminarily any transactions beyond the corporate business plan (non-standard transactions) | No | |
| 73 | Corporate bylaws shall set out a procedure for approval of non-standard transactions by the board of directors | Yes | 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 | Partly | 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 | Yes | According to the Regulation on the Audit and Risk Committee of CREDIT BANK OF MOSCOW |
| | **Dividends** | | |
| 76 | The board of directors shall approve bylaws regulating approval by it of recommendations as to the amount of dividends (Dividend Policy) | No | The Bank plans to develop and approve a dividend policy document. 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 | N/A | 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 | N/A | See clause 76 above |

## Major Transactions

In 2012 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.

| Year | Total number of transactions | Total value of transactions (KRUB) |
|---|---|---|
| 2012 | 1 | 9 554 160 |

## Interested Party Transactions

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

| Year | Total number of transactions | Total value of transactions (KRUB) |
|---|---|---|
| 2012 | 1 | 350 000 |

| No. | Energy resource | In physical terms | In monetary terms (RUB) |
|---|---|---|---|
| 1 | Atomic energy | — | — |
| 2 | Thermal energy (Gcal) | 5 274,53 | 7 258 858 |
| 3 | Electric energy (kW) | 5 545 333 | 23 218 810 |
| 4 | Electromagnetic energy | — | — |
| 5 | Oil | — | — |
| 6 | Gasoline (l) | 226 761,64 | 6 093 733,36 |
| 7 | Diesel fuel (l) | 1 449 583,95 | 40 416 138,59 |
| 8 | Fuel oil | — | — |
| 9 | Natural gas | — | — |
| 10 | Coal | — | — |
| 11 | Oil shales | — | — |
| 12 | Peat | — | — |
| 13 | Other (specify if any) | — | — |

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