



Bank of Moscow

ON ONE METHOD OF ESTIMATING THE A PRIORI BAD RATE FOR THE ACCURATE CALIBRATION OF THE CREDIT SCORING MODELS

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Bank of Moscow

- ➔ 5th largest bank in Russia in terms of total assets*
- ➔ Track record of strong support from the City of Moscow – the largest shareholder
- ➔ Extensive distribution network in Moscow and key Russian regions – 5th place by volume of total loans*
- ➔ 3rd place by volume of retail deposits*
- ➔ Moody's: Baa1**, Baa1***
Fitch: BBB-****
- ➔ Effective risk management

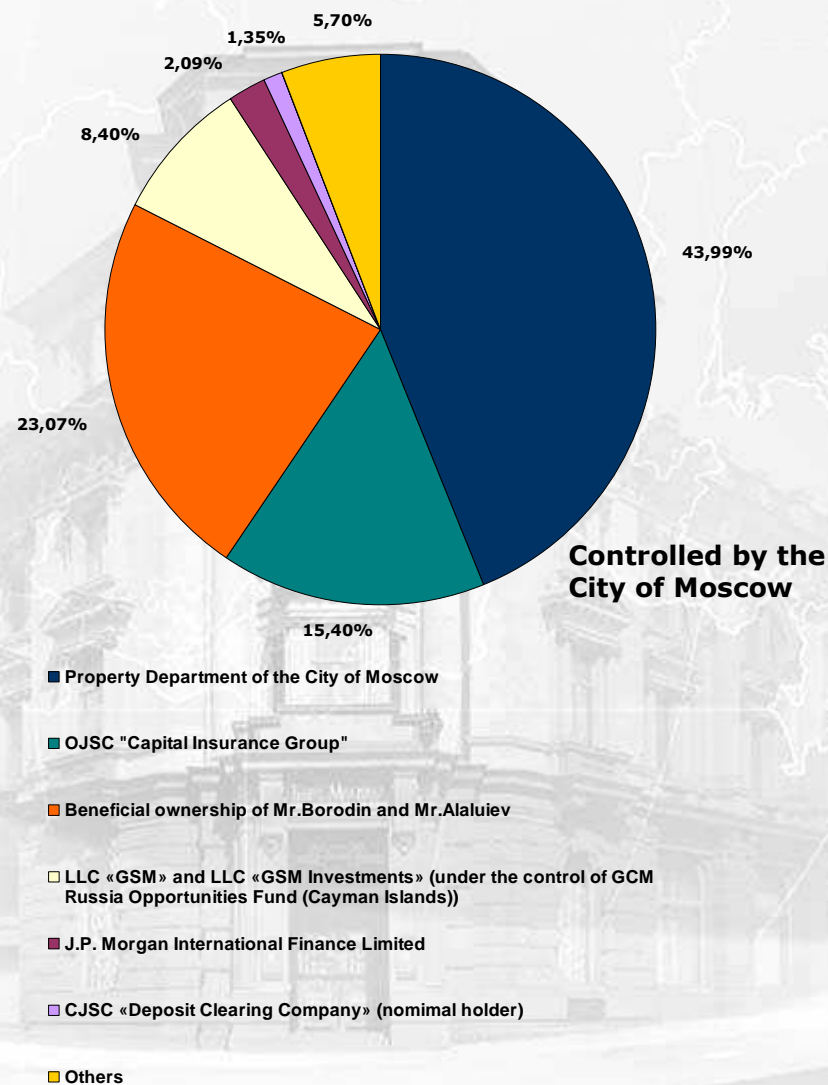
* Source: magazine Kommersant Dengi (№20) as of 1 April 2009

** Senior Unsecured Eurobond Ratings
*** Long-term Deposit Ratings in foreign currency
**** Issuer Default Ratings



SHAREHOLDER STRUCTURE

- The City of Moscow has been the largest shareholder of the Bank since the Bank was established in 1995
- Companies of the Capital Insurance Group hold 15.40% of the Bank's share capital. Capital Insurance Group is, in its turn, controlled by the City of Moscow and the Bank of Moscow Group
- Mr. Andrey Borodin, Chairman of the Management Board, and Mr. Lev Alaluiev, Deputy Chairman of the Board of Directors, indirectly jointly control 23.07% of the Bank's share capital
- Since 2004 Bank's shares are traded on MICEX.
- On May 8, 2009 the 13th share issue was registered with the CBR.





Retail Banking

- Current and deposit accounts
- Loan services
- Mortgages
- Debit and credit cards
- Money transfers
- Internet and telephone banking
- Internet trading (“Mos-broker”)

Asset Management & Private Banking

- Private asset management services
- Fund management services
- Mutual and pension funds
- Private Banking

Corporate and Investment Banking

- Corporate lending
- Syndicated loans
- Trade finance and guarantees
- Foreign trade and exchange operations
- Debt Capital Markets (Local and International)
- Payment and account services
- Securities trading
- Precious metals
- Depository services
- Underwriting
- Research

Prudent Risk Management Policy

- Emphasis on the further increase of risk management efficiency
- Rigorous control over the asset quality
- Credit risk diversification and strengthening of underwriting standards

Business Efficiency and Market Positions

- Increase business efficiency
- Maintain leading positions in the national banking industry
- Tighten control over the quality of all business processes, costs and expenses

Retail Banking

- Increase and diversify the customer base
- Maintain high quality of the loan portfolio
- Provide flexible services and solutions to customers to address the current market environment

Corporate Business

- Increase and diversify the customer base
- Maintain high quality of the loan portfolio coupled with a rise in cross selling
- Provide flexible services and solutions to customers to address the current market environment

Private Banking












- Offer services to wealthy individuals in line with international standards

Branch Network

- Retain positions in the regions
- Use the regional network to diversify client and risk concentration

PRESERVE ASSET QUALITY AND EFFICIENCY AND MAINTAIN LEADING MARKET POSITIONS

INTERNATIONAL AGENCY RATINGS

	MOODY'S Investor Services*	Fitch Ratings*
A2		A
A3		A-
Baa1	 	BBB+
Baa2		BBB
Baa3		BBB-
Ba1	 	BB+
Ba2		BB
Ba3	  	BB-
	 	B+

* Source: Senior Unsecured Eurobond Ratings by Moody's and Fitch Ratings



GEOGRAPHICAL REACH

- 130 outlets and 481 desks at postal offices in Moscow and Moscow Region *
- 63 regional branches and 199 sub-branches*
- Presence in 52 regions of the Russian Federation*
- Foreign subsidiaries in Belarus, Latvia, Estonia, Ukraine, Serbia (received general banking licence in 2008) and representative office in Frankfurt

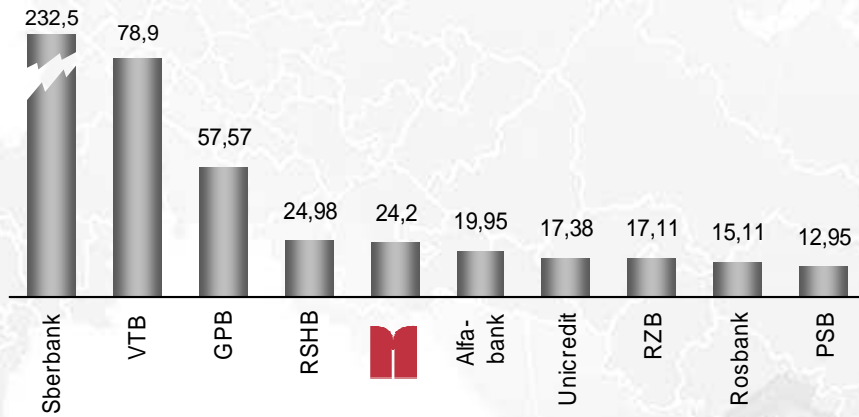


* Source: Bank of Moscow as of 1 May, 2009

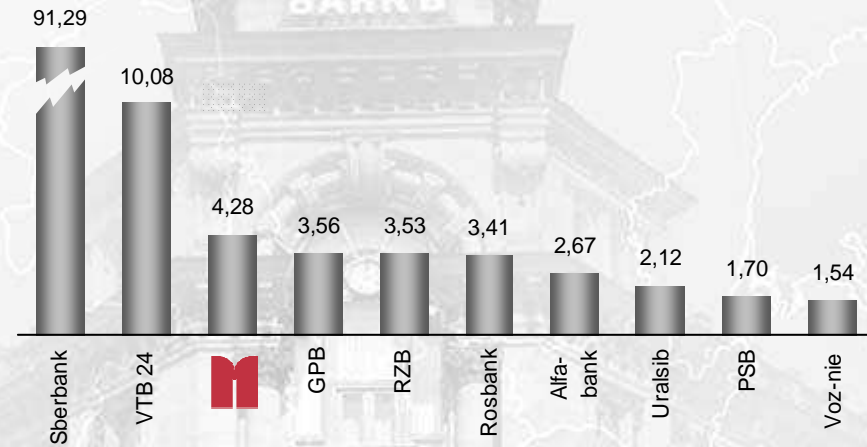


MARKET POSITIONS

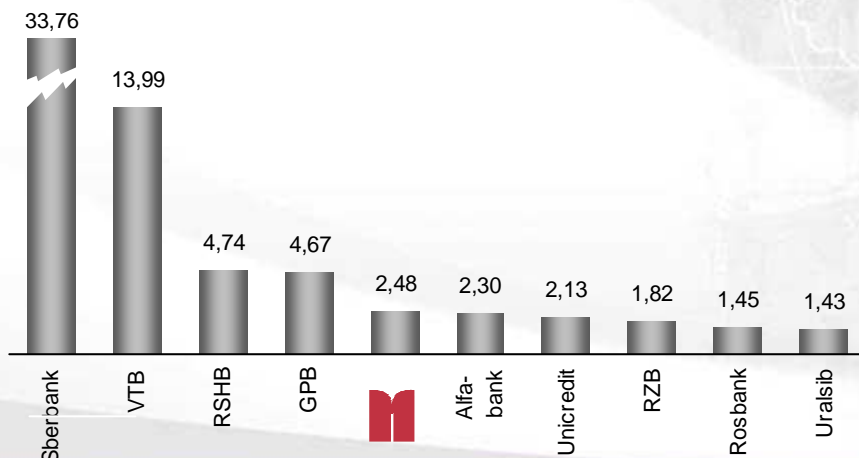
Top Russian Banks by Net Assets (US\$bn)*



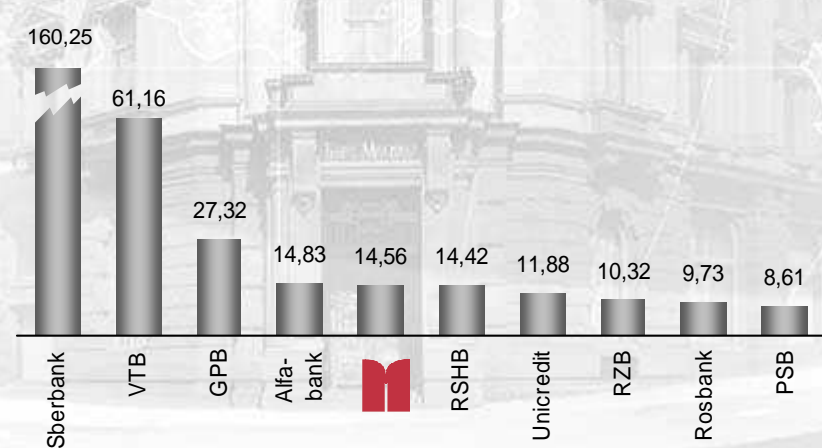
Top Russian Banks by Retail Deposits (US\$bn)*



Top Russian Banks by Capital (US\$bn)**



Top Russian Banks by Total Loan Portfolio (US\$bn)*

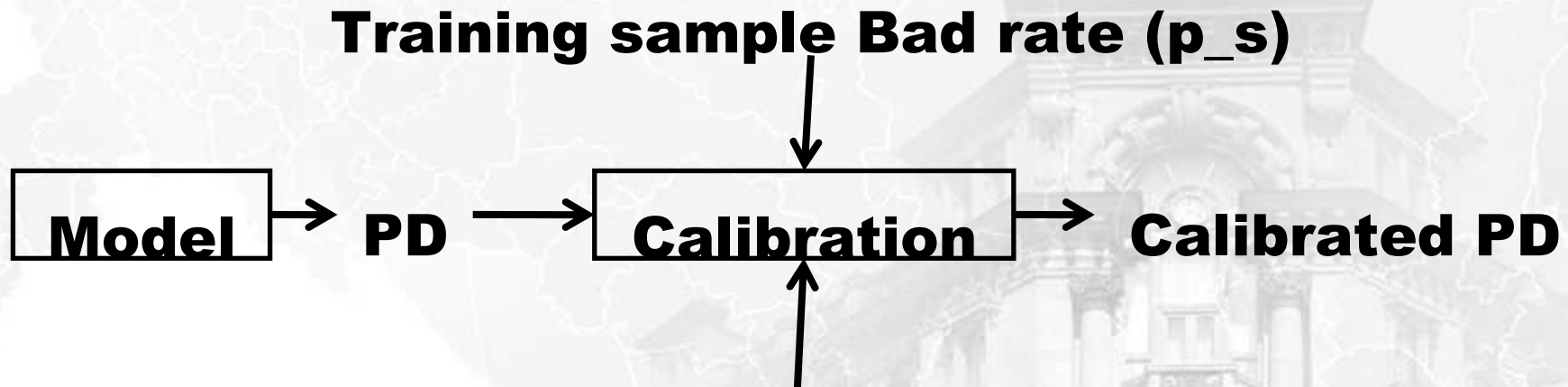


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** Exchange Rate RUB/USD 33,9032 (Source: Central Bank of Russia) as of 1 April, 2008



CALIBRATION OF CREDIT SCORING MODELS



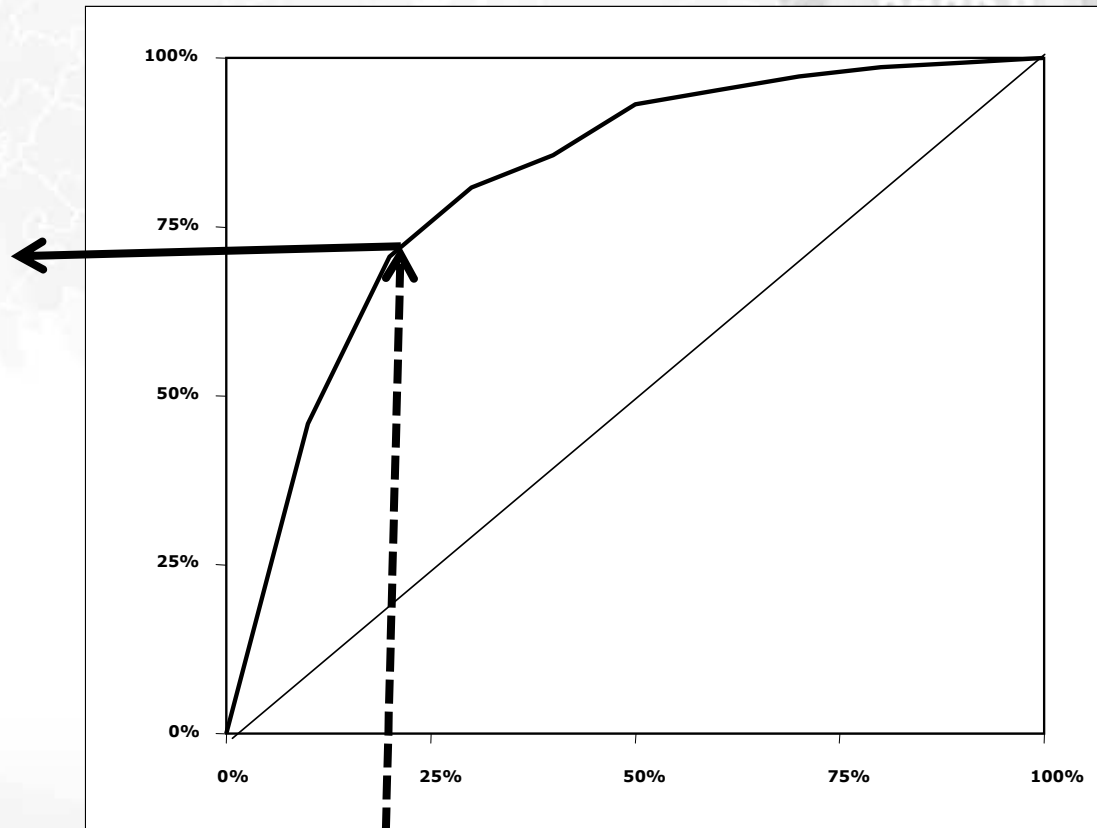
A priori Bad rate (p_{pf})

$$PD_{cal} = \frac{\frac{p_{pf}}{p_s} \cdot PD}{\frac{p_{pf}}{p_s} \cdot PD + \frac{1 - p_{pf}}{1 - p_s} \cdot (1 - PD)}$$



ROC-curve of the current scorecard

Post2pri
coefficient



Current
Rejection Rate



- Accurate calibration of credit scoring models is extremely important for measuring profitability
- The method allows to estimate a priori bad rate based on a posteriori bad rate