

# **Open Joint-Stock Company “NOMOS-BANK”**

**Condensed Interim Consolidated  
Financial Statements (Unaudited)**  
For the Six and Three Months Ended 30 June 2013

## TABLE OF CONTENTS

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	<b>Page</b>
Statement of management's responsibilities for the preparation and approval of the condensed interim consolidated financial statements for the six and three months ended 30 June 2013 .....	1
Independent auditors' report on review of the condensed interim consolidated financial statements .....	2
Condensed interim consolidated statement of profit and loss for the six and three months ended 30 June 2013 (unaudited) .....	3
Condensed interim consolidated statement of profit and loss and other comprehensive income for the six and three months ended 30 June 2013 (unaudited).....	4
Condensed interim consolidated statement of financial position as at 30 June 2013 (unaudited).....	5
Condensed interim consolidated statement of changes in equity for the six months ended 30 June 2013 (unaudited).....	6
Condensed interim consolidated statement of cash flows for the six months ended 30 June 2013 (unaudited).....	7-8
Selected explanatory notes to the condensed interim consolidated financial statements for the six and three months ended 30 June 2013 (unaudited) .....	9-51
1. Organisation.....	9
2. Basis of presentation .....	11
3. Significant accounting policies .....	12
4. Acquisitions and disposals.....	13
5. Net interest income.....	14
6. Trading (loss)/income .....	15
7. Net fee and commission income.....	16
8. Operating expenses.....	16
9. Earnings per share and earnings per gdr .....	17
10. Financial assets at fair value through profit or loss .....	17
11. Loans and advances to banks and other financial institutions .....	19
12. Loans to customers.....	20
13. Investments available-for-sale .....	26
14. Due to Banks and the Central Bank of the Russian Federation .....	27
15. Customer accounts.....	27
16. Bonds and Eurobonds .....	29
17. Subordinated debt.....	30
18. Share capital and share premium.....	31
19. Commitments and contingencies.....	32
20. Segment reporting .....	34
21. Fair value .....	39
22. Capital management.....	44
23. Risk management policy.....	45
24. Transactions with related parties .....	52
25. Subsequent events .....	55

## **OPEN JOINT-STOCK COMPANY “NOMOS-BANK”**

### **STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2013**

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Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company “NOMOS-BANK” (the “Bank”) and its subsidiaries (the “Group”) as at 30 June 2013 and the results of its operations, cash flows and changes in shareholders’ equity for the six and three months then ended, in accordance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*.

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation (“RF”) legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the six and three months ended 30 June 2013 were authorized for issue by the Supervisory Board of the Bank on 21 August 2013.

#### **On behalf of the Supervisory Board**

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**Acting President**  
21 August 2013  
Moscow

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**Acting Chief Accountant**  
21 August 2013  
Moscow

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

To: Shareholders and the Supervisory Board of Open Joint-Stock Company "NOMOS-BANK":

### *Introduction*

We have reviewed the accompanying condensed interim consolidated financial statements of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2013, the condensed interim consolidated statement of profit and loss for the six and three months ended 30 June 2013, the condensed interim consolidated statement of profit and loss and other comprehensive income for the six and three months ended 30 June 2013, the condensed interim consolidated statement of changes in equity for the six months ended 30 June 2013 and the condensed interim consolidated statement of cash flows for the six months ended 30 June 2013, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements is not prepared in all material respects, in accordance with IAS 34.

21 August 2013  
Moscow

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS**  
**FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2013 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Notes	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
Interest income	5,24	44,183	23,133	30,768	15,969
Interest expense	5,24	(26,128)	(13,877)	(15,808)	(8,315)
<b>NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	5	<b>18,055</b>	<b>9,256</b>	<b>14,960</b>	<b>7,654</b>
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	24	224	31	559	133
Provision for impairment losses on interest bearing assets	12,24	(3,596)	(2,485)	(2,153)	(796)
<b>NET INTEREST INCOME</b>		<b>14,683</b>	<b>6,802</b>	<b>13,366</b>	<b>6,991</b>
Trading (loss)/income:	6,24	(853)	(1,524)	1,766	369
Securities		(1,791)	(1,857)	694	(220)
Foreign currency		937	324	816	434
Precious metals		13	6	273	170
Other derivatives		(12)	3	(17)	(15)
Net fee and commission income	7,24	4,195	2,250	3,602	1,924
Fee and commission income	7,24	5,629	2,977	4,882	2,603
Fee and commission expense	7,24	(1,434)	(727)	(1,280)	(679)
Net gain/(loss) on investments available-for-sale	24	18	(1)	(18)	(16)
Net gain on disposal of loans	12	176	115	760	676
Recovery of impairment losses on other transactions		45	1	192	202
Change in fair value of investment property		-	-	(11)	(5)
Other income/(loss)	24	412	(24)	510	261
<b>NET NON-INTEREST INCOME</b>		<b>3,993</b>	<b>817</b>	<b>6,801</b>	<b>3,411</b>
<b>OPERATING INCOME</b>		<b>18,676</b>	<b>7,619</b>	<b>20,167</b>	<b>10,402</b>
OPERATING EXPENSES	8,24	(10,743)	(5,274)	(9,610)	(5,010)
<b>OPERATING PROFIT BEFORE INCOME TAX</b>		<b>7,933</b>	<b>2,345</b>	<b>10,557</b>	<b>5,392</b>
Income tax expense		(1,867)	(660)	(2,264)	(1,147)
<b>NET PROFIT</b>		<b>6,066</b>	<b>1,685</b>	<b>8,293</b>	<b>4,245</b>
Attributable to:					
Equity holders of the parent		5,017	1,567	7,066	3,848
Non-controlling interest		1,049	118	1,227	397
<b>EARNINGS PER SHARE</b> attributable to equity holders of the parent, basic and diluted, in Roubles	9	<b>53.72</b>	<b>16.39</b>	<b>76.45</b>	<b>41.63</b>

On behalf of the Supervisory Board

\_\_\_\_\_  
 Acting President

21 August 2013  
 Moscow

\_\_\_\_\_  
 Acting Chief Accountant

21 August 2013  
 Moscow

The selected notes on pages 9-55 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2013  
 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
<b>NET PROFIT</b>	<b>6,066</b>	<b>1,685</b>	<b>8,293</b>	<b>4,245</b>
OTHER COMPREHENSIVE INCOME				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Net change in fair value of investments available-for-sale reserve:	70	(113)	425	74
Deferred income tax effect	(14)	23	(85)	(15)
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Write-off revaluation reserve in connection with disposal of property, plant and equipment	(1)	-	-	-
Deferred income tax effect	-	-	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>	<b>55</b>	<b>(90)</b>	<b>340</b>	<b>59</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,121</b>	<b>1,595</b>	<b>8,633</b>	<b>4,304</b>
Attributable to:				
Equity holders of the parent	5,066	1,473	7,258	3,861
Non-controlling interest	1,055	122	1,375	443

On behalf of the Supervisory Board

\_\_\_\_\_  
**Acting President**

21 August 2013  
 Moscow

\_\_\_\_\_  
**Acting Chief Accountant**

21 August 2013  
 Moscow

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Notes	30 June 2013	31 December 2012
<b>ASSETS</b>			
Cash and balances with the Central Bank of the Russian Federation		37,633	51,148
Minimum reserve deposits with the Central Bank of the Russian Federation		8,017	6,932
Precious metals		7,233	6,402
Financial assets at fair value through profit or loss	10,24	123,005	104,254
Loans and advances to banks and other financial institutions	11,24	72,296	111,586
Loans to customers	12,24	702,845	590,564
Investments available-for-sale	13,24	1,888	4,919
Investments held to maturity		-	201
Property, plant and equipment		10,819	11,117
Goodwill		809	809
Intangible assets		2,129	2,481
Investment property		4,799	4,761
Other assets	24	5,519	4,729
<b>TOTAL ASSETS</b>		<b>976,992</b>	<b>899,903</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Financial liabilities at fair value through profit or loss	24	2,788	3,191
Due to banks and the Central Bank of the Russian Federation	14,24	172,288	213,510
Customer accounts	15,24	554,694	471,727
Bonds and Eurobonds	16	54,501	42,618
Promissory notes issued		31,188	21,145
Deferred income tax liabilities		1,812	1,690
Other liabilities	24	4,938	4,788
Subordinated debt	17,24	58,093	50,873
<b>TOTAL LIABILITIES</b>		<b>880,302</b>	<b>809,542</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the parent:			
Share capital	18	6,504	6,504
Treasury shares	18	(608)	(605)
Share premium	18	20,898	20,898
Property, plant and equipment revaluation reserve		1,217	1,302
Revaluation of investments available-for-sale		(98)	(230)
Retained earnings		51,917	46,811
Total equity attributable to equity holders of the parent		79,830	74,680
Non-controlling interest		16,860	15,681
<b>Total equity</b>		<b>96,690</b>	<b>90,361</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>976,992</b>	<b>899,903</b>

On behalf of the Supervisory Board

\_\_\_\_\_  
**Acting President**

21 August 2013  
 Moscow

\_\_\_\_\_  
**Acting Chief Accountant**

21 August 2013  
 Moscow

The selected notes on pages 9-55 form an integral part of the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)  
(in million of Russian Roubles)

Note	Share capital	Treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
<b>31 December 2011</b>	<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>1,073</b>	<b>(35)</b>	<b>34,462</b>	<b>62,297</b>	<b>13,413</b>	<b>75,710</b>
Net profit for the period (unaudited)	-	-	-	-	-	7,066	7,066	1,227	8,293
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	193	-	193	147	340
<b>30 June 2012 (unaudited)</b>	<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>1,073</b>	<b>158</b>	<b>41,528</b>	<b>69,556</b>	<b>14,787</b>	<b>84,343</b>
<b>31 December 2012</b>	<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>1,302</b>	<b>(230)</b>	<b>46,811</b>	<b>74,680</b>	<b>15,681</b>	<b>90,361</b>
Net profit for the period (unaudited)	-	-	-	-	-	5,017	5,017	1,049	6,066
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	(86)	49	86	49	6	55
Purchase of treasury shares (unaudited)	-	(3)	-	-	-	(53)	(56)	-	(56)
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries (unaudited)	-	-	-	1	83	56	140	124	264
<b>30 June 2013 (unaudited)</b>	<b>6,504</b>	<b>(608)</b>	<b>20,898</b>	<b>1,217</b>	<b>(98)</b>	<b>51,917</b>	<b>79,830</b>	<b>16,860</b>	<b>96,690</b>

## On behalf of the Supervisory Board

Acting President

21 August 2013  
Moscow

Acting Chief Accountant

21 August 2013  
Moscow

The selected notes on pages 9-55 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)**  
*(in million of Russian Roubles)*

	<b>Six months ended 30 June 2013</b>	<b>Six months ended 30 June 2012</b>
<b>Cash flows from operating activities:</b>		
Interest received	40,402	29,502
Interest paid	(23,647)	(14,214)
Cash received from prepayment of loans acquired in business combination in excess of carrying value	14	307
Cash (paid)/received on dealing with securities	256	155
Cash (paid)/received on dealing with precious metals	(280)	773
Cash received on dealing with foreign currencies	1,997	557
Cash paid on dealing with other derivatives	(14)	(121)
Fees and commissions received	5,532	4,767
Fees and commissions paid	(1,281)	(1,393)
Other operating income received	413	505
Operating expenses paid	(9,512)	(9,197)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>13,880</b>	<b>11,641</b>
<b>Cash increase/(decrease) from operating assets and liabilities</b>		
Minimum reserve deposits with the Central Bank of the Russian Federation	(1,086)	(291)
Precious metals	(2,458)	(490)
Financial assets at fair value through profit or loss	(21,760)	16,678
Loans and advances to banks and other financial institutions	46,852	(2,868)
Loans to customers	(104,629)	(61,699)
Other assets	(690)	(285)
Financial liabilities at fair value through profit or loss	-	16
Due to banks and the Central Bank of the Russian Federation	(41,989)	16,243
Customer accounts	78,564	(11,010)
Bonds and Eurobonds, net	14,535	(743)
Promissory notes issued/(redeemed), net	10,347	2,079
Other liabilities	(292)	1,882
<b>Net cash used in operating activities before income tax</b>	<b>(8,726)</b>	<b>(28,847)</b>
Income taxes paid	(1,744)	(2,309)
<b>Net cash used in operating activities</b>	<b>(10,470)</b>	<b>(31,156)</b>
<b>Cash flows from investing activities</b>		
Redemption of investments held to maturity	174	301
Purchase of property, plant and equipment	(453)	(239)
Proceeds from sale of property, plant and equipment	176	77
Purchase of intangible assets	(99)	(204)
Purchase of investment property	(102)	(193)
Proceeds on sale of investment property	242	146
Purchase of available-for-sale financial assets	(869)	(83)
Proceeds from sale of available-for-sale financial assets	4,024	2,825
Dividends received	-	5
Proceeds from sale of non-current assets held-for-sale	-	2
<b>Net cash from investing activities</b>	<b>3,093</b>	<b>2,637</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(56)	-
Redemption of bonds and Eurobonds	(4,372)	(1,742)
Effect of change of the Group's shareholding in subsidiaries	264	-
Subordinated debt issued	7,604	16,541
Subordinated debt repaid	(3,198)	(35)
<b>Net cash from financing activities</b>	<b>242</b>	<b>14,764</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>194</b>	<b>68</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,941)</b>	<b>(13,687)</b>
Cash and cash equivalents, beginning of the period	70,861	55,306
<b>Cash and cash equivalents, ending of the period</b>	<b>63,920</b>	<b>41,619</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)**  
*(in million of Russian Roubles)*

During the reporting period ended 30 June 2013 the Group obtained non-cash settlement for the uncollectible loans to customers, previously originated and net assets acquired and purchase adjustments in bank acquisition. These non-cash settlements were excluded from the condensed interim consolidated cash flows and presented separately below:

	<b>Six months ended 30 June 2013</b>	<b>Six months ended 30 June 2012</b>
<b>NON CASH TRANSACTION:</b>		
Loans to customers settled by means of collateral repossession	(139)	-
Other assets (obtained through repossession of collateral on uncollectible loans to customers):		
Property received as a collateral	139	-

For the purpose of condensed interim consolidated cash flow statement preparation cash and cash equivalents comprise of the following components:

	<b>30 June 2013</b>	<b>30 June 2012</b>
<b>Cash and cash equivalents:</b>		
Cash and balances with the Central Bank of the Russian Federation	37,633	23,206
Correspondent accounts with banks	26,287	18,413
<b>Total cash and cash equivalents</b>	<b>63,920</b>	<b>41,619</b>

**On behalf of the Supervisory Board**

\_\_\_\_\_  
**Acting President**

21 August 2013  
 Moscow

\_\_\_\_\_  
**Acting Chief Accountant**

21 August 2013  
 Moscow

The selected notes on pages 9-55 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2013 (UNAUDITED)**  
*(in million of Russian Roubles)*

**1. ORGANISATION**

OJSC "NOMOS-BANK" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 30 June 2013 the Bank had 22 branches operating in the Russian Federation and 1 representative office abroad.

The accompanying condensed interim consolidated financial statements comprise the accounts of Open Joint Stock Company "NOMOS-BANK" and its subsidiaries (together the "Group"). The condensed interim consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	The Bank's ownership interest/control (*)		Type of activity
		30 June 2013 %	31 December 2012 %	
		Parent company	Parent company	
OJSC "NOMOS-BANK"	Russian Federation	100/100	100/100	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation	100/100	100/100	Banking activity
OJSC "NOMOS Siberia"	Russian Federation	100/100	100/100	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation	51.29/51.29 (contractual agreement)	51.29/51.29 (contractual agreement)	Banking activity
BKM Finance Limited	Ireland	51.29/100	51.29/100	Issue of securities
LLC "Yugra-Leasing"	Russian Federation	51.29/100	51.29/100	Finance lease of equipment
LLC "Group of Project Finance"	Russian Federation	51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation	99.99/100	86.98/86.98	Banking activity
LLC "NM-Expert"	Russian Federation	19.90/100	19.90/100	Construction
LLC "Promgazkomplekt"	Russian Federation	100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation	100/100	100/100	Office building ownership
CJSC "Sovfintrast"	Russian Federation	100/100	100/100	Investment management
CJSC "Upravlyaushaya kompania aktivami"	Russian Federation	99.9/99.9 (contractual agreement)	99.9/99.9 (contractual agreement)	Asset management
Nomos Capital Plc.	Ireland	100/100	100/100	Issue of Eurobonds
CJSC "Erada"	Russian Federation	100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation	100/100	100/100	Investment management
LLC "Leasing-Project"	Russian Federation	100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation	100/100	100/100	Office building ownership
LLC "Attenium"	Russian Federation	100/100	100/100	Investment management
LLC NKO "Payment System "Rapida"	Russian Federation	100/100	100/100	Payment system
LLC "Processing centre "Rapida"	Russian Federation	100/100	100/100	Processing centre
LLC "Gikor"	Russian Federation	100/100	100/100	Asset management
LLC "Upravlyaushaya kompania NOMOS BANK"	Russian Federation	100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation	100/100	100/100	Office building ownership
LLC "Nedvizhimost Primorya"	Russian Federation	100/100	100/100	Real estate rent activity
LLC "Invest-Trading"	Russian Federation	100/100	100/100	Investment management
LLC "Vostok-Capital"	Russian Federation	100/100	100/100	Investment management
CJSC "Mortgage Agent Nomos"	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds

(\*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC "NOMOS-BANK";
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group.

The total non-controlling interest as at 30 June 2013 is RUB 16,861 million, of which RUB 16,457 million relates to OJSC "Khanty-Mansiysk Bank". The non-controlling interests in ZPIFRE "Universal – Real estate fund" is RUB 299 million and in CJSC "Mortgage Agent Nomos" is RUB 104 million.

Additionally, the Group exercises control over the following investment funds, as contractually stipulated:

Name	30 June 2013 %	31 December 2012 %
ZPIF "Universal fund of mixed investments"	100	100
ZPIFRE "Universal – Real estate fund"	85.78	100
ZPIF "KhMB-Capital"	100	100
ZPIF "Strategiya Razvitiya"	100	100

In 2012 the Group founded CJSC "Mortgage Agent KhMB-1" for a securitization transaction. In July 2013 the bonds were issued as part of the securitization transaction. For details see Note 25.

As at 30 June 2013 the Group also had holdings (50%) in ZAO PK HESCARD which does not conduct active operations and is insignificant in terms of the Group's financial statements.

As at 30 June 2013 and 31 December 2012 the Group had 10,761 employees and 10,999 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 30 June 2013 and 31 December 2012 the Group had respectively 300 and 297 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the six months ended 30 June 2013 and 2012 is presented in Note 4.

As at 30 June 2013 and 31 December 2012 the following shareholders owned the issued shares of the Bank:

Shareholders	30 June 2013, %	31 December 2012, %
<b>Shareholders of the Bank (Shareholders of the first level):</b>		
Custodian for Global Depository Receipts on London Stock Exchange*	20.70	20.46
LLC "Otkritie N"	19.90	19.90
"Vitalpeake Cyprus Limited"	17.70	17.70
"Lordline Cyprus Limited"	15.99	15.99
"Arrowzone Cyprus Limited"	7.95	7.95
"Viewrock Cyprus Limited"	7.11	7.11
"Belfanto Investments Ltd"	4.99	4.99
"Oviresto Investments Ltd"	4.91	4.91
Other	0.75	0.99
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Shareholders	30 June 2013, %	31 December 2012, %
<b>Ultimate shareholders of the Bank:</b>		
Custodian for Global Depository Receipts on London Stock Exchange*	20.70	20.46
Mr. Nesis A.N.	19.52	17.70
Mr. Gudaytis A.A.	16.49	15.90
Mr. Dobrinov N.I.	7.11	7.11
Mr. Mamut A.L.	6.65	4.99
Mr. Malis O.A.	6.29	5.90
Mr. Finogenov I.V.	4.46	3.90
Mr. Sokolov D.V.	4.46	3.90
Mr. Belyaev V.S.	4.26	7.85
Mr. Minz B.I.	2.00	2.50
Other	8.06	9.79
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(\*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

OJSC “NOMOS-BANK” has repurchased 67,080 items of the Group’s ordinary shares. The financial result from the deal is recognized in consolidated statement of changes in equity. The deal was performed in terms of the Group’s organization structure optimization.

As at 30 June 2013 and 31 December 2012 the following company owned the outstanding preference shares of the Bank:

<b>Shareholder of treasury preference shares</b>	<b>30 June 2013, %</b>	<b>31 December 2012, %</b>
<b>Shareholder of treasury preference shares the Bank (Shareholder of the first level):</b>		
LLC “KN-Estate” (subsidiary company)	100.00	100.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 21 August 2013.

## 2. BASIS OF PRESENTATION

### Accounting basis

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). Accordingly, it does not include all of the information required by International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2012.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2012 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for 2012 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group’s annual consolidated financial statements for 2012 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

These condensed interim consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the condensed interim consolidated financial statements continue to be prepared on the going concern basis.

Exchange rates for the currencies and balances denominated in precious metals, in which the Group transacts were as follows:

	<u>30 June 2013</u>	<u>31 December 2012</u>
<b>Closing exchange rates – RUR</b>		
RUB/1 U.S. Dollar (“USD”)	32.7090	30.3727
RUB/1 Euro	42.7180	40.2286
RUB/Gold bullion (1 ounce)	38,989.13	50,540.17

### 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the impact of the adoption of the Standards and Interpretations described below.

#### **New and revised Standards on consolidation and disclosures**

The Group has applied retrospectively a package of standards on consolidation, including IFRS 10 *Consolidated Financial Statements* and IAS 27 (as revised in 2011) *Separate Financial Statements*.

Key requirements of these Standards are described below.

IFRS 10 *Consolidated Financial Statements* replaced the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* is withdrawn. Under IFRS 10 *Consolidated Financial Statements*, there is only one basis for consolidation, that is, control. In addition, IFRS 10 *Consolidated Financial Statements* includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s return. Extensive guidance has been added in IFRS 10 *Consolidated Financial Statements* to deal with complex scenarios.

The Group assessed whether the consolidation conclusion under IFRS 10 *Consolidated Financial Statements* differs from IAS 27 *Consolidated and Separate Financial Statements*/SIC 12 *Consolidation – Special Purpose Entities* as at 1 January 2013.

If the consolidation conclusion under IFRS 10 *Consolidated Financial Statements* differs from IAS 27 *Consolidated and Separate Financial Statements*/SIC 12 *Consolidation – Special Purpose Entities* as at 1 January 2013, the immediately preceding comparative period (i.e. financial period beginning 1 January 2012) is restated to be consistent with the accounting conclusion under IFRS 10 *Consolidated Financial Statements*, unless impracticable. Any difference between IFRS 10 *Consolidated Financial Statements* carrying amounts and previous carrying amounts on 1 January 2012 is adjusted to equity.

For investees that will be consolidated under both IFRS 10 *Consolidated Financial Statements* and the previous guidance in IAS 27 *Consolidated and Separate Financial Statements*/SIC 12 *Consolidation – Special Purpose Entities* as at 1 January 2013, or investees that will be unconsolidated under both sets of guidance as at 1 January 2013, no adjustment to previous accounting has been made.

The Group assessed that adoption of IFRS 10 *Consolidated Financial Statements* did not result in any change in the consolidation status of its subsidiaries.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 *Fair Value Measurement* is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. Application of IFRS 13 *Fair Value Measurement* resulted in more extensive disclosures in the financial statements

### **IAS 19 (as revised in 2011) *Employee Benefits***

The amendments to IAS 19 *Employee Benefits* change the accounting for defined benefit plans and termination benefits and a definition of short-term benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 *Employee Benefits* and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 *Employee Benefits* are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Application of the Amendments to IAS 19 *Employee Benefits* did not result in significant changes to the Group's condensed interim consolidated financial statements.

### **Amendments to IAS 1 Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income"**

The Group has applied the amendments to IAS 1 Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income". The amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **Change in significant accounting estimates**

Pursuant to the IFRS 13 implementation the following changes regarding fair values have been made. For the purposes of measuring fair value, the transaction to sell the asset or transfer the liability is assumed to take place either: in the 'principal market' for the asset or liability; or in the absence of a principal market, in the 'most advantageous market' for the asset or liability. When the price for an asset or a liability cannot be observed directly, it is estimated using one of the following valuation techniques: the market approach; the cost approach; and the income approach.

Choosing a valuation technique requires judgement and involves the selection of a method, formulae and assumptions. The reliability of a fair value measurement derived from a valuation technique is dependent on both the reliability of the valuation technique and the reliability of the inputs used.

A fair value measurement of a non-financial asset is based on its 'highest and best use', which is the use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities within which the asset would be used.

## **4. ACQUISITIONS AND DISPOSALS**

In January and February 2013 the Group acquired additional 13.02% share in OJSC "Novosibirsk Municipal Bank" and increased its share from 86.98% as at 31 December 2012 to 99.99%.

In June 2013 the Group sold 14.22% share in ZPIFRE "Universal – Real estate fund" to a related party and decreased its share from 100.00% to 85.78%.

In 2012 the Group founded CJSC "Mortgage Agent KhMB-1" for a securitization transaction. In July 2013 the bonds were issued as part of the securitization transaction. For details see Note 25.

## 5. NET INTEREST INCOME

Net interest income comprises:

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
<b>Interest income comprises:</b>				
Interest income on assets recorded at amortized cost	40,019	21,032	28,139	14,778
Interest income on assets at fair value	4,098	2,100	2,487	1,117
Interest income on investments available-for-sale	66	1	142	74
<b>Total interest income</b>	<b>44,183</b>	<b>23,133</b>	<b>30,768</b>	<b>15,969</b>
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	36,791	19,302	25,721	13,460
Interest income on reverse repurchase transactions	2,094	1,134	1,927	1,139
Interest income on loans and advances to banks and other financial institutions	1,126	592	470	169
Interest on investments held to maturity	8	4	21	10
<b>Total interest income on assets recorded at amortized cost</b>	<b>40,019</b>	<b>21,032</b>	<b>28,139</b>	<b>14,778</b>
<b>Interest expense comprises:</b>				
Interest expense on liabilities recorded at amortized cost	26,091	13,863	15,768	8,295
Interest expense on liabilities at fair value	37	14	40	20
<b>Total interest expense</b>	<b>26,128</b>	<b>13,877</b>	<b>15,808</b>	<b>8,315</b>
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	16,719	9,141	9,749	5,079
Interest expense on due to banks and the Central Bank of the Russian Federation	2,701	1,279	1,596	760
Interest expense on subordinated debt	2,416	1,177	1,538	923
Interest expense on Bonds and Eurobonds issued	1,936	1,074	1,487	746
Interest expense on repurchase transactions	1,277	616	401	289
Interest expense on promissory notes issued	1,042	576	997	498
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>26,091</b>	<b>13,863</b>	<b>15,768</b>	<b>8,295</b>
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>18,055</b>	<b>9,256</b>	<b>14,960</b>	<b>7,654</b>

## 6. TRADING (LOSS)/INCOME

Trading (loss)/income comprises:

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
Financial assets at fair value through profit or loss	(1,791)	(1,857)	681	(226)
First to default credit-linked notes recognized at fair value through profit or loss	-	-	13	6
<b>Securities</b>	<b>(1,791)</b>	<b>(1,857)</b>	<b>694</b>	<b>(220)</b>
Derivatives on foreign currency contracts	(407)	(665)	(1,205)	(2,342)
Net gain on foreign currency operations	1,344	989	2,021	2,776
<b>Foreign currency</b>	<b>937</b>	<b>324</b>	<b>816</b>	<b>434</b>
Derivatives on precious metals contracts	(597)	(586)	402	(173)
Net gain/(loss) on precious metals	610	592	(129)	343
<b>Precious metals</b>	<b>13</b>	<b>6</b>	<b>273</b>	<b>170</b>
Other derivatives contracts	(12)	3	(17)	(15)
<b>Other derivatives</b>	<b>(12)</b>	<b>3</b>	<b>(17)</b>	<b>(15)</b>
<b>Total trading (loss)/income</b>	<b>(853)</b>	<b>(1,524)</b>	<b>1,766</b>	<b>369</b>

The analysis of trading income is based on how the business is organised and the underlying risks managed. Trading income comprises gains and losses on financial instruments at fair value through profit or loss, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts;
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans;
- Precious metals: precious metals operations and precious metals forward contracts;
- Other derivatives: interest rate swap contracts.

The trading loss is the result of significant falls in the value of the trading portfolio driven by the decrease in the prices of securities.

## 7. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
<b>Fee and commission income:</b>				
Settlements	2,976	1,502	2,634	1,387
Documentary operations	1,302	684	1,030	554
Insurance broker commission	568	396	220	116
Cash operations	524	269	636	326
Foreign currency conversion operations	86	45	116	68
Brokerage operations	54	38	137	99
Operations with precious metals	35	16	49	23
Operations related to underwriting	17	9	4	4
Depository services	2	1	2	1
Other	65	17	54	25
<b>Total fee and commission income</b>	<b>5,629</b>	<b>2,977</b>	<b>4,882</b>	<b>2,603</b>
<b>Fee and commission expense:</b>				
Settlements	1,200	608	1,082	573
Cash operations	105	59	92	49
Documentary operations	50	19	40	25
Securities operations	19	9	11	4
Depository services	12	6	9	5
Other	48	26	46	23
<b>Total fee and commission expense</b>	<b>1,434</b>	<b>727</b>	<b>1,280</b>	<b>679</b>
<b>Net fee and commission income</b>	<b>4,195</b>	<b>2,250</b>	<b>3,602</b>	<b>1,924</b>

## 8. OPERATING EXPENSES

Operating expenses comprise:

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2012
Payroll and bonuses	5,854	2,765	4,964	2,582
Unified social tax	1,365	601	1,067	429
Amortization of intangible assets	451	226	416	224
Rent expenses	426	220	330	152
Depreciation of property, plant and equipment	396	203	400	206
Taxes other than income tax	380	217	349	212
Stationery and other office expenses	331	206	396	177
Property, plant and equipment maintenance	308	173	354	233
Payments to the Deposit Insurance Fund	303	151	260	138
Professional services	291	154	225	147
Telecommunications	167	93	169	87
Security expenses	121	65	140	74
Advertising expenses	113	70	169	108
Representation expenses	63	33	77	50
Charity expenses	38	36	39	5
Insurance expenses	29	14	51	22
Other expenses	107	47	204	164
<b>Total operating expenses</b>	<b>10,743</b>	<b>5,274</b>	<b>9,610</b>	<b>5,010</b>

## 9. EARNINGS PER SHARE AND EARNINGS PER GDR

Earnings per share are presented as follows:

	<u>Six months ended 30 June 2013</u>	<u>Three months ended 30 June 2013</u>	<u>Six months ended 30 June 2012</u>	<u>Three months ended 30 June 2012</u>
<b>Profit:</b>				
Net profit	6,066	1,685	8,293	4,245
<b>Less:</b>				
Loss on redemption of ordinary shares	(53)	(53)	-	-
Non-controlling interest	(1,049)	(118)	(1,227)	(397)
Net profit attributable to equity holders of the parent	<u>4,964</u>	<u>1,514</u>	<u>7,066</u>	<u>3,848</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>92,407,175</u>	<u>92,392,147</u>	<u>92,422,370</u>	<u>92,422,370</u>
<b>Earnings per share – basic and diluted (RUB)</b>	<u><u>53.72</u></u>	<u><u>16.39</u></u>	<u><u>76.45</u></u>	<u><u>41.63</u></u>
<b>GDR equivalent of weighted average number of shares<sup>†</sup></b>	<u>184,814,350</u>	<u>184,784,294</u>	<u>184,844,740</u>	<u>184,844,740</u>
<b>Earnings per GDR from continuing operations – basic and diluted</b>	<u><u>26.86</u></u>	<u><u>8.19</u></u>	<u><u>38.23</u></u>	<u><u>20.82</u></u>

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	<u>30 June 2013</u>	<u>31 December 2012</u>
<b>Investment in debt and equity securities at fair value through profit or loss:</b>		
Debt securities	120,547	100,247
Equity securities	26	30
	<u>120,573</u>	<u>100,277</u>
<b>Derivative financial instruments</b>	<u>2,432</u>	<u>3,977</u>
<b>Total financial assets at fair value through profit or loss</b>	<u><u>123,005</u></u>	<u><u>104,254</u></u>

<sup>†</sup> Two GDRs represent an interest in one ordinary share.

As at 30 June 2013 investment in debt and equity securities at fair value through profit or loss comprise:

	<u>30 June 2013</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Corporate bonds and Eurobonds	49,583	3.91-13.5%	July 2013-January 2044
Bonds and Eurobonds issued by banks	36,740	1.99-12.5%	July 2013-April 2023
OFZ bonds	23,577	6.0-12.0%	October 2013-February 2036
Municipal bonds	3,995	7.0-10.0%	April 2014 – June 2012
Promissory notes of credit institutions	3,607	-	July 2013-March 2014
RF Government Eurobond	3,045	7.5%	March 2030
Corporate shares	26	-	-
<b>Total investment in debt and equity securities at fair value through profit or loss<sup>‡</sup></b>	<b><u>120,573</u></b>		

As at 30 June 2013 the Group has certain securities with a zero coupon rate issued by Russian companies and banks.

	<u>30 June 2013</u>	<u>Pledged as collateral with CBR</u>	<u>Pledged under repurchase agreements with banks and CBR</u>	<u>Pledged under repurchase agreements with customers</u>	<u>Total collateral</u>
Corporate bonds and Eurobonds	49,583	4,489	15,674	393	20,556
Bonds and Eurobonds issued by banks	36,740	12,196	14,192	-	26,388
OFZ bonds	23,577	-	12,600	148	12,748
Municipal bonds	3,995	777	4,865	-	5,642
Promissory notes of credit institutions	3,607	-	-	-	-
RF Government Eurobond	3,045	-	2,755	-	2,755
Corporate shares	26	-	10,377	-	10,377
<b>Total investment in debt and equity securities at fair value through profit or loss<sup>‡</sup></b>	<b><u>120,573</u></b>	<b><u>17,462</u></b>	<b><u>60,463</u></b>	<b><u>541</u></b>	<b><u>78,466</u></b>

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 14,489 million discussed in Note 14 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 393 million as discussed in Note 15.

As at 31 December 2012 investment in debt and equity securities at fair value through profit or loss comprise:

	<u>31 December 2012</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Bonds and Eurobonds issued by banks	34,302	0.00-13.9%	February 2013-June 2035
Corporate bonds and Eurobonds	34,023	6.5-19.0%	March 2013- January 2044
OFZ bonds	19,191	6.0-12.0%	February 2013-February 2036
Promissory notes of credit institutions	6,833	-	September 2013-March 2014
Municipal bonds	3,667	8.0%-13%	April 2014-November 2017
RF Government Eurobonds	2,231	7.5%	March 2030
Shares	30	-	-
<b>Total financial assets at fair value through profit or loss<sup>§</sup></b>	<b><u>100,277</u></b>		

<sup>‡</sup> Excluding derivative financial instruments

<sup>§</sup> Excluding derivative financial instruments

As at 31 December 2012 the Group has certain securities with a zero coupon rate issued by Russian companies and banks.

	31 December 2012	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	34,302	10,987	8,494	-	19,481
Corporate bonds and Eurobonds	34,023	625	14,066	-	14,691
OFZ bonds	19,191	306	19,804	-	20,110
Promissory notes of credit institutions	6,833	-	6,541	-	6,541
Municipal bonds	3,667	-	2,130	-	2,130
RF Government Eurobonds	2,231	-	-	-	-
Shares	30	-	31,859	2,296	34,155
<b>Total financial assets at fair value through profit or loss<sup>§</sup></b>	<b>100,277</b>	<b>11,918</b>	<b>82,894</b>	<b>2,296</b>	<b>97,108</b>

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 37,409 million discussed in Note 14 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 2,296 million as discussed in Note 15.

As at 30 June 2013 and 31 December 2012 financial assets at fair value through profit or loss are mainly represented by investments issued by the Government of Russian Federation, Ministry of Finance, local authorities, banks and companies of the Russian Federation.

## 11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	30 June 2013	31 December 2012
Loans to banks	40,094	86,566
Correspondent accounts with banks	27,121	19,713
Loans under reverse repurchase agreements	5,081	5,307
<b>Total loans and advances to banks and other financial institutions</b>	<b>72,296</b>	<b>111,586</b>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2013 and 31 December 2012 are presented as follows:

	30 June 2013		31 December 2012	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	1,538	1,832	1,098	1,367
Municipal bonds	1,466	1,733	1,371	1,707
Bonds and Eurobonds issued by banks	1,156	1,312	400	443
OFZ bonds	818	867	2,438	2,891
Shares	103	111	-	-
<b>Total</b>	<b>5,081</b>	<b>5,855</b>	<b>5,307</b>	<b>6,408</b>

As at 30 June 2013 and 31 December 2012 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with plastic cards in the amount of RUB 834 million and RUB 702 million, respectively.

## 12. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2013	31 December 2012
<b>Loans to legal entities</b>		
Corporate loans	510,472	425,468
Loans under reverse repurchase agreements	54,382	49,290
Small business loans to corporates	44,365	39,397
Net investments in finance lease	7,386	5,025
Lease contracts to individual entrepreneurs	443	381
<b>Total loans to legal entities</b>	<b>617,048</b>	<b>519,561</b>
<b>Loans to individuals</b>		
Consumer loans	58,583	49,571
Mortgage loans	44,144	38,247
Car loans	4,280	3,875
Loans to individual entrepreneurs	1,471	1,212
<b>Total loans to individuals</b>	<b>108,478</b>	<b>92,905</b>
<b>Gross loans to customers</b>	<b>725,526</b>	<b>612,466</b>
Less – Allowance for impairment losses	(22,681)	(21,902)
<b>Total loans to customers</b>	<b>702,845</b>	<b>590,564</b>

The credit quality of loans to customers is defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 30 June 2013:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
<b>Corporate loans</b>				
Standard loans	524,207	4,374	519,833	0.83%
Watch list loans	7,513	111	7,402	1.48%
Substandard loans	19,881	4,072	15,809	20.48%
Doubtful loans, including	20,639	10,279	10,360	49.80%
not overdue	5,883	2,441	3,442	41.49%
overdue less than 90 days	2,120	687	1,433	32.41%
- overdue more than 90 days and less than 1 year	7,417	4,022	3,395	54.23%
- overdue more than 1 year	5,219	3,129	2,090	59.95%
<b>Total corporate loans</b>	<b>572,240</b>	<b>18,836</b>	<b>553,404</b>	<b>3.29%</b>
<b>Small business loans to corporates</b>				
Standard loans	41,427	208	41,219	0.50%
Watch list loans	247	3	244	1.21%
Substandard loans	81	11	70	13.58%
Doubtful loans, including	3,053	1,500	1,553	49.13%
not overdue	75	34	41	45.33%
overdue less than 90 days	1,384	440	944	31.79%
- overdue more than 90 days and less than 1 year	971	640	331	65.91%
- overdue more than 1 year	623	386	237	61.96%
<b>Total small business loans</b>	<b>44,808</b>	<b>1,722</b>	<b>43,086</b>	<b>3.84%</b>
<b>Total loans to legal entities</b>	<b>617,048</b>	<b>20,558</b>	<b>596,490</b>	<b>3.33%</b>

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2012:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Corporate loans</b>				
Standard loans	436,029	4,167	431,862	0.96%
Watch list loans	6,546	181	6,365	2.77%
Substandard loans	22,262	4,526	17,736	20.33%
Doubtful loans, including	14,946	9,403	5,543	62.91%
- not overdue	4,888	2,275	2,613	46.54%
- overdue less than 90 days	1,384	803	581	58.02%
- overdue more than 90 days and less than 1 year	5,002	3,730	1,272	74.57%
- overdue more than 1 year	3,672	2,595	1,077	70.67%
<b>Total corporate loans</b>	<b>479,783</b>	<b>18,277</b>	<b>461,506</b>	<b>3.81%</b>
<b>Small business loans to corporates</b>				
Standard loans	37,223	238	36,985	0.64%
Watch list loans	51	1	50	1.96%
Substandard loans	58	2	56	3.45%
Doubtful loans, including	2,446	1,797	649	73.47%
- not overdue	188	141	47	75.00%
- overdue less than 90 days	583	273	310	46.83%
- overdue more than 90 days and less than 1 year	776	581	195	74.87%
- overdue more than 1 year	899	802	97	89.21%
<b>Total small business loans</b>	<b>39,778</b>	<b>2,038</b>	<b>37,740</b>	<b>5.12%</b>
<b>Total loans to legal entities</b>	<b>519,561</b>	<b>20,315</b>	<b>499,246</b>	<b>3.91%</b>

The following table provides information on loans to individuals as at 30 June 2013:

	<u>Gross Loans</u>	<u>Impairment allowance</u>	<u>Net Loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Consumer Loans</b>				
- Not past due	55,197	164	55,033	0.30%
- Overdue less than 30 days	1,314	145	1,169	11.04%
- Overdue 30-90 days	721	255	466	35.37%
- Overdue 91-180 days	584	315	269	53.94%
- Overdue 181-365 days	620	445	175	71.77%
- Overdue more than 365 days	147	126	21	85.71%
<b>Total mortgage loans</b>	<b>58,583</b>	<b>1,450</b>	<b>57,133</b>	<b>2.48%</b>
<b>Mortgage Loans</b>				
- Not past due	42,694	16	42,678	0.04%
- Overdue less than 30 days	626	24	602	3.83%
- Overdue 30-90 days	192	64	128	33.33%
- Overdue 91-180 days	69	33	36	47.83%
- Overdue 181-365 days	72	50	22	69.44%
- Overdue more than 365 days	491	406	85	82.69%
<b>Total consumer loans</b>	<b>44,144</b>	<b>593</b>	<b>43,551</b>	<b>1.34%</b>
<b>Car Loans</b>				
- Not past due	4,106	1	4,105	0.02%
- Overdue less than 30 days	64	1	63	1.56%
- Overdue 30-90 days	36	2	34	5.56%
- Overdue 91-180 days	28	8	20	28.57%
- Overdue 181-365 days	29	24	5	82.76%
- Overdue more than 365 days	17	12	5	70.59%
<b>Total car loans</b>	<b>4,280</b>	<b>48</b>	<b>4,232</b>	<b>1.12%</b>

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
<b>Loans to individual entrepreneurs</b>				
- Not past due	1,415	4	1,411	0.28%
- Overdue less than 30 days	12	3	9	25.00%
- Overdue 30-90 days	15	7	8	46.67%
- Overdue 91-180 days	21	13	8	61.90%
- Overdue 181-365 days	8	5	3	62.50%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total loans to individual entrepreneurs</b>	<b>1,471</b>	<b>32</b>	<b>1,439</b>	<b>2.18%</b>
<b>Total loans to individuals</b>	<b>108,478</b>	<b>2,123</b>	<b>106,355</b>	<b>1.96%</b>

The following table provides information on loans to individuals as at 31 December 2012:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
<b>Consumer Loans</b>				
- Not past due	47,787	72	47,715	0.15%
- Overdue less than 30 days	548	48	500	8.76%
- Overdue 30-90 days	297	122	175	41.08%
- Overdue 91-180 days	289	218	71	75.43%
- Overdue 181-365 days	395	331	64	83.80%
- Overdue more than 365 days	255	249	6	97.65%
<b>Total consumer loans</b>	<b>49,571</b>	<b>1,040</b>	<b>48,531</b>	<b>2.10%</b>
<b>Mortgage Loans</b>				
- Not past due	37,243	3	37,240	0.01%
- Overdue less than 30 days	317	3	314	0.95%
- Overdue 30-90 days	58	20	38	34.48%
- Overdue 91-180 days	29	13	16	44.83%
- Overdue 181-365 days	71	44	27	61.97%
- Overdue more than 365 days	529	418	111	79.02%
<b>Total mortgage loans</b>	<b>38,247</b>	<b>501</b>	<b>37,746</b>	<b>1.31%</b>
<b>Car Loans</b>				
- Not past due	3,754	1	3,753	0.03%
- Overdue less than 30 days	37	1	36	2.70%
- Overdue 30-90 days	31	2	29	6.45%
- Overdue 91-180 days	17	4	13	23.53%
- Overdue 181-365 days	17	14	3	82.35%
- Overdue more than 365 days	19	18	1	94.74%
<b>Total car loans</b>	<b>3,875</b>	<b>40</b>	<b>3,835</b>	<b>1.03%</b>
<b>Loans to individual entrepreneurs</b>				
- Not past due	1,203	2	1,201	0.17%
- Overdue less than 30 days	5	1	4	20.00%
- Overdue 30-90 days	3	2	1	66.67%
- Overdue 91-180 days	1	1	-	100.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total loans to individual entrepreneurs</b>	<b>1,212</b>	<b>6</b>	<b>1,206</b>	<b>0.50%</b>
<b>Total loans to individuals</b>	<b>92,905</b>	<b>1,587</b>	<b>91,318</b>	<b>1.71%</b>

As at 30 June 2013 and 31 December 2012 mortgage loans include securitized mortgage loans in the amount of RUB 4,275 million and RUB 4,732 million, respectively. The transferred assets are the collateral for the bonds issued. The Bank's management determined that the Group had not transferred credit risks with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition.

Below is the carrying value of the transferred assets, associated liabilities and net position as at 30 June 2013 and 31 December 2012:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Carrying value of transferred assets	4,275	4,732
Carrying value of associated liabilities	<u>3,239</u>	<u>3,758</u>
<b>Net position</b>	<b><u>1,036</u></b>	<b><u>974</u></b>

Movements in allowances for impairment losses for the six months ended 30 June 2013 and 2012 were as follows.

	<u>For the six months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
<b>As at 1 January</b>	<b>21,902</b>	<b>20,382</b>
Provision charge	3,596	2,153
Recovery of bad debt written-off	116	186
Foreign currency revaluation effect	277	160
Disposal of loans	(152)	(774)
Bad debt written-off	<u>(3,058)</u>	<u>(2,048)</u>
<b>As at 30 June</b>	<b><u>22,681</u></b>	<b><u>20,059</u></b>

Movements in allowances for impairment losses for the three months ended 30 June 2013 and 2012 were as follows.

	<u>For the three months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
<b>As at 31 March</b>	<b>22,709</b>	<b>19,369</b>
Provision charge	2,485	796
Recovery of bad debt written-off	20	91
Foreign currency revaluation effect	206	537
Disposal of loans	(107)	(696)
Bad debt written-off	<u>(2,632)</u>	<u>(38)</u>
<b>As at 30 June</b>	<b><u>22,681</u></b>	<b><u>20,059</u></b>

Loans are made principally within Russia in the following industry sectors:

	<u>30 June 2013</u>	<u>31 December 2012</u>
<b>Analysis by industry sector:</b>		
Individuals	108,478	92,905
Industrial manufacturing	77,649	72,370
Wholesale trade	76,709	66,086
Services	61,504	52,869
Operations with real estate	56,995	49,094
Brokerage and dealing in securities	54,382	49,290
Construction of industrial real estate	44,047	38,865
Housing construction	36,379	28,799
Mining	35,002	32,603
Leasing	29,124	25,997
Retail trade	28,154	23,755
Transport and communication	27,057	22,400
Construction of commercial real estate	24,378	14,111
Energy	4,552	3,814
Agriculture	3,343	3,388
Government finance	2,834	3,152
Precious metals extraction	2,332	2,002
Other	52,607	30,966
<b>Gross loans to customers</b>	<b>725,526</b>	<b>612,466</b>
Less – Allowance for impairment losses	(22,681)	(21,902)
<b>Total loans to customers</b>	<b>702,845</b>	<b>590,564</b>

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Loans collateralized by guarantees of enterprises and banks	192,107	142,260
Loans collateralized by pledge of real estate	114,552	100,877
Loans collateralized by pledge of securities	99,846	82,398
Loans collateralized by pledge of contract proceeds	51,486	45,698
Loans collateralized by pledge of property	42,834	37,966
Loans collateralized by pledge of the Bank's own securities	465	699
Unsecured loans	115,758	109,663
<b>Gross loans to corporate customers</b>	<b>617,048</b>	<b>519,561</b>
Less – Allowance for impairment losses	(20,558)	(20,315)
<b>Total loans to corporate customers</b>	<b>596,490</b>	<b>499,246</b>

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Loans collateralized by pledge of real estate	34,301	29,853
Loans collateralized by guarantees of enterprises	9,680	9,751
Loans collateralized by pledge of contract proceeds	5,580	4,397
Loans collateralized by pledge of vehicles and other property	5,382	4,800
Loans collateralized by pledge of securities	4	3
Loans collateralized by pledge of the Bank's own securities	1	2
Unsecured loans	53,530	44,099
<b>Gross loans to individuals</b>	<b>108,478</b>	<b>92,905</b>
Less – Allowance for impairment losses	(2,123)	(1,587)
<b>Total loans to individuals</b>	<b>106,355</b>	<b>91,318</b>

As at 30 June 2013 and 31 December 2012 the Group granted loans to three and five borrowers totalling RUB 50,736 million and RUB 58,409 million, respectively, which individually exceeded 10% of the Group's equity. Borrowers individually exceeding 10% of the Group equity have good credit history and the loans provided to them are performing within standard loans.

As at 30 June 2013 and 31 December 2012 renegotiated loans amounted to RUB 5,881 million and RUB 5,572 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 30 June 2013 and 31 December 2012 the loans under reverse repurchase agreements to customers have contractual maturities from July 2013 to November 2013 and from January 2013 to November 2013, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets received as pledge as at 30 June 2013 and 31 December 2012 are presented as follows:

	30 June 2013		31 December 2012	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares	43,088	57,582	27,883	37,853
Corporate bonds and Eurobonds	5,847	6,595	6,360	7,042
Bonds and Eurobonds issued by banks	4,263	4,288	1,209	1,238
Municipal bonds	1,136	1,162	61	77
RF Government eurobonds	34	43	-	-
OFZ	14	17	1,712	1,854
PIF	-	-	12,065	19,328
<b>Total</b>	<b>54,382</b>	<b>69,687</b>	<b>49,290</b>	<b>67,392</b>

The components of net investment in finance lease as at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013	31 December 2012
Less than one year	3,599	2,667
From one year to five years	6,040	3,736
More than five years	1,619	1,082
Minimum lease payments	11,258	7,485
Less: unearned finance income	(3,429)	(2,079)
<b>Net investment in finance lease</b>	<b>7,829</b>	<b>5,406</b>
Current portion	2,472	1,874
Long-term portion	5,357	3,532
<b>Net investment in finance lease</b>	<b>7,829</b>	<b>5,406</b>

As at 30 June 2013 and 31 December 2012 the Group provided loans to customers in the amount of RUB 7,652 million and of RUB 7,598 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,060 million and RUB 6,160 million, respectively (see Note 15).

During the three months ended 30 June 2013 and 2012 the Bank sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	Six months ended 30 June 2013	Three months ended 30 June 2013	Six months ended 30 June 2012	Tree months ended 30 June 2012
Fair value of the consideration received	863	632	4,597	4,482
Carrying amount net of provisions	(687)	(517)	(3,837)	(3,806)
<b>Net gain on disposal of loans</b>	<b>176</b>	<b>115</b>	<b>760</b>	<b>676</b>

### 13. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 June 2013 investments available-for-sale comprise:

	30 June 2013	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	1,018	0.0-10.0%	October 2013 - November 2018
Corporate shares	486		
Corporate bonds and Eurobonds	320	7.2-15.0%	March 2014 – June 2019
Units of investment funds	63	-	-
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b>1,888</b>		

As at 31 December 2012 investments available-for-sale comprise:

	31 December 2012	Interest rate to nominal	Maturity date
Corporate bonds and Eurobonds	3,888	7.1-15.0%	March 2014 - March 2020
Bonds and Eurobonds issued by banks	542		February 2013 - November 2018
Shares	469	0.0-9.3%	-
Units of investment funds	19	-	-
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b>4,919</b>		

As at 30 June 2013 and 31 December 2012 the Group has bonds issued by banks with a zero coupon rate.

Units of investment funds included in financial assets available-for-sale as at 30 June 2013 and 31 December 2012 are presented below:

	30 June 2013	31 December 2012
OPIF "NOMOS-Fond obligatziy aktivnogo upravleniya"	11	-
OPIF "NOMOS- Fond obligatziy"	11	10
OPIF smeshannikh investitziy "NOMOS – sbalansirovanniy fond aktivnogo upravleniya"	10	-
OPIF "NOMOS-Fond razvivaushikhsya rynkov"	9	-
OPIF "NOMOS- Fond aktziy"	8	9
OPIF "NOMOS-Fond aktziy aktivnogo upravleniya"	7	-
OPIF "NOMOS-Fond investitziy v zoloto"	7	-
<b>Total units of investment funds</b>	<b>63</b>	<b>19</b>

As at 30 June 2013 and 31 December 2012 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

#### 14. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Deposits from banks	111,993	128,166
Loans under repurchase agreements	51,529	67,834
Correspondent accounts of other banks	<u>8,766</u>	<u>17,510</u>
<b>Total due to banks and the Central Bank of the Russian Federation</b>	<b><u>172,288</u></b>	<b><u>213,510</u></b>

As at 30 June 2013 and 31 December 2012 the Group had deposits from three and five banks amounting to RUB 82,336 million and RUB 131,259 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 June 2013 and 31 December 2012 are presented as follows:

	<u>30 June 2013</u>		<u>31 December 2012</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Corporate bonds and Eurobonds	13,353	15,674	12,089	14,066
OFZ bonds	12,207	12,600	19,370	19,804
Bonds and Eurobonds issued by banks	11,832	14,192	7,025	8,493
Shares	6,948	10,377	20,797	31,860
Municipal bonds	4,681	4,865	2,008	2,130
RF Government Eurobonds	2,508	2,755	-	-
Promissory notes of credit institutions	-	-	6,545	6,541
<b>Total</b>	<b><u>51,529</u></b>	<b><u>60,463</u></b>	<b><u>67,834</u></b>	<b><u>82,894</u></b>

Included in the table above as at 30 June 2013 and 31 December 2012 is the information with regards to the collateral further re-pledged under repurchase agreements of RUB 14,489 million and RUB 37,409 million, respectively (Note 10).

#### 15. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Term deposits	442,870	358,748
Current accounts	105,276	105,790
Term deposits from Deposit Insurance Agency	6,060	6,160
Loans under repurchase agreements	<u>488</u>	<u>1,029</u>
<b>Total customer accounts</b>	<b><u>554,694</u></b>	<b><u>471,727</u></b>

As at 30 June 2013 and 31 December 2012 the Group received funds from six and seven customers amounting to RUB 153,729 million and RUB 115,862 million, respectively, which individually exceeded 10% of the Group's equity.

As at 30 June 2013 and 31 December 2012 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Gold	4,343	6,366
Silver	839	613
Palladium	54	68
Platinum	<u>42</u>	<u>46</u>
<b>Total customer accounts denominated in precious metals</b>	<b><u>5,278</u></b>	<b><u>7,093</u></b>

As at 30 June 2013 and 31 December 2012 customer accounts amounting to RUB 8,012 million and RUB 2,487 million, respectively, were held as security against letters of credit issued by the Group (see Note 19).

As at 30 June 2013 and 31 December 2012 the Group provided loans to customers in the amount of RUB 7,652 million and of RUB 7,598 million which were secured by deposits made by the "DIA" in the amount of RUB 6,060 million and RUB 6,160 million, respectively (see Note 12).

Analysis of customer accounts by economic sector is presented below:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Investment and asset management companies	186,161	121,241
Individuals	171,897	157,082
Regional and local budgets funds	36,418	21,034
Industrial manufacturing	32,177	27,686
Services	31,368	21,660
Wholesale trade	20,272	27,807
Insurance	15,396	17,094
Operations with real estate	10,240	21,367
Construction of industrial real estate	8,916	15,429
Science	7,686	6,960
Transport and communication	6,439	4,541
Precious metals extraction	4,968	7,493
Energy	3,691	3,074
Retail trade	3,267	4,295
Construction of commercial real estate	2,555	4,801
Leasing	1,957	1,346
Agriculture	699	625
Brokerage and dealing in securities	488	1,029
Housing construction	246	374
Other	<u>9,853</u>	<u>6,789</u>
<b>Total customer accounts</b>	<b><u>554,694</u></b>	<b><u>471,727</u></b>

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 June 2013 and 31 December 2012 are presented as follows:

	<u>30 June 2013</u>		<u>31 December 2012</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Corporate bonds and Eurobonds	350	393	-	-
OFZ bonds	138	148	-	-
Shares	<u>-</u>	<u>-</u>	<u>1,029</u>	<u>2,296</u>
<b>Total</b>	<b><u>488</u></b>	<b><u>541</u></b>	<b><u>1,029</u></b>	<b><u>2,296</u></b>

## 16. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Bonds issued in local market	27,054	30,851
Eurobonds due in 2018	15,014	-
Eurobonds due in 2013	12,433	11,767
<b>Total Bonds and Eurobonds issued</b>	<b><u>54,501</u></b>	<b><u>42,618</u></b>

Bonds and Eurobonds as at 30 June 2013 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>30 June 2013</u>
<b>Bonds issued</b>					
NOMOS, BO-03	Roubles	2012	2015	9.15%	5,177
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,148
NOMOS, BO-02	Roubles	2011	2014	8.00%	5,057
NOMOS, 11th issue	Roubles	2009	2014	9.50%	4,597
Mortgage-Backed bonds	Roubles	2012	2045	8.75%	3,239
NOMOS, BO-01	Roubles	2011	2014	9.10%	3,836
<b>Total bonds issued</b>					<b><u>27,054</u></b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2018	US Dollars	2013	2018	7.25%	15,014
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,433
<b>Total Eurobonds issued</b>					<b><u>27,447</u></b>
<b>Total bonds and Eurobonds issued</b>					<b><u>54,501</u></b>

As at 30 June 2013 loans to customers with fair value of RUB 734 million were pledged by the Group under Eurobonds issued.

Bonds and Eurobonds as at 31 December 2012 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2012</u>
<b>Bonds issued</b>					
NOMOS, BO-03	Roubles	2012	2015	9.15%	5,180
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,150
NOMOS, BO-02	Roubles	2011	2014	8.00%	5,078
NOMOS, 9th issue	Roubles	2008	2013	8.75%	4,280
NOMOS, 11th issue	Roubles	2009	2014	9.50%	3,858
Mortgage-Backed bonds	Roubles	2012	2045	8.75%	3,758
NOMOS, BO-01	Roubles	2011	2014	9.10%	3,337
2 <sup>nd</sup> issue	Roubles	2010	2013	9.25%	210
<b>Total bonds issued</b>					<b><u>30,851</u></b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,767
<b>Total Eurobonds issued</b>					<b><u>11,767</u></b>
<b>Total bonds and Eurobonds issued</b>					<b><u>42,618</u></b>

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2013 and 2018.

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants at the end of the periods ended 30 June 2013 and 31 December 2012.

## 17. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 30 June 2013:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>30 June 2013</b>
Subordinated bonds	US Dollars	2012	2019	10.00%	16,502
Subordinated bonds	US Dollars	2010	2015	8.75%	11,584
Subordinated bonds	US Dollars	2012	2019	10.00%	9,766
Subordinated bonds	US Dollars	2013	2023	9.15%	6,539
Subordinated loan	Roubles	2011	2021	12.00%	6,004
Subordinated loan	Roubles	2009	2019	6.50%	4,902
Subordinated loan	Roubles	2009	2019	6.50%	1,633
Subordinated loan	US Dollars	2013	2023	8.50%	1,064
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
					<b>58,093</b>

The following table provides information on subordinated debt as at 31 December 2012:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>31 December 2012</b>
Subordinated bonds	US Dollars	2012	2019	10.00%	15,321
Subordinated bonds	US Dollars	2010	2015	8.75%	10,751
Subordinated bonds	US Dollars	2012	2019	10.00%	8,997
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,902
Subordinated bonds	US Dollars	2007	2018	11.00%	3,198
Subordinated loan	Roubles	2009	2019	6.50%	1,605
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
					<b>50,873</b>

## 18. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
<b>Issued and fully paid</b>				
<b>31 December 2011</b>	<b>92,422,370</b>	<b>4,621</b>	-	-
<b>30 June 2012</b>	<b>92,422,370</b>	<b>4,621</b>	-	-
<b>31 December 2012</b>	<b>92,422,370</b>	<b>4,621</b>	-	-
<b>Reacquired</b>	<b>(67,080)</b>	<b>(3)</b>	-	-
<b>30 June 2013</b>	<b>92,355,290</b>	<b>4,618</b>	-	-

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Bank, to receive non-fixed rate dividend income and to receive property belonging to the Bank in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
<b>Authorized</b>				
<b>31 December 2011</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>
<b>30 June 2012</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>
<b>31 December 2012</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>
<b>30 June 2013</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

## 19. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed interim consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2013 and 31 December 2012 allowances for guarantees and other off-balance sheet commitments were RUB 267 million and RUB 362 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 30 June 2013 and 31 December 2012 the nominal or contract amounts and risk-weighted amounts were:

	30 June 2013		31 December 2012	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
<b>Contingent liabilities and credit commitments</b>				
Commitments on loans and unused credit lines	141,800	3,996	116,582	3,140
Guarantees issued and similar commitments	148,956	94,663	154,645	108,389
Letters of credit and other contingent commitments related to settlement operations	21,621	6,805	6,848	2,181
<b>Total contingent liabilities and credit commitments</b>	<b>312,377</b>	<b>105,464</b>	<b>278,075</b>	<b>113,710</b>

As at 30 June 2013 and 31 December 2012 letters of credit of RUB 8,012 million and RUB 2,487 million, respectively, were secured by cash deposited in customer accounts (see Note 15).

**Operating leases** – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 30 June 2013 and 31 December 2012 are presented in the table below.

	30 June 2013	31 December 2012
Not later than 1 year	815	574
Later than 1 year and not later than 5 years	1,412	1,076
Later than 5 years	118	42
<b>Total operating lease</b>	<b>2,345</b>	<b>1,692</b>

**Fiduciary activities** – The Group provides depositary services to its customers. As at 30 June 2013 and 31 December 2012 the Group had customers' securities of items, 11,112,728,490.674899 and 13,631,420,928 items, respectively, in its nominal holder's accounts.

As at 30 June 2013 and 31 December 2012 the Group kept in its vault 2,551 kg of gold bullion, 2,237 kg of silver bullion, 93 kg of palladium bullion, 33 kg of platinum bullion, and 3,587 kg of gold bullion, 5,661 kg of silver bullion, 88 kg of palladium bullion, 31 kg of platinum bullion respectively, owned by the Group's customers.

As at 30 June 2013 and 31 December 2012 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 25,796 million and RUB 28,824 million, respectively, which are not recognized in the consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these condensed interim consolidated financial statements.

**Taxation** – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial statements.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

**Pensions and retirement plans** – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the six months ended 30 June 2013 and 2012 the Group made payments to the non-government pension fund of RUB 1 million and RUB 2 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

**Operating Environment** – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and the Russian economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Russian economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the price of oil and gas on the world market.

## 20. SEGMENT REPORTING

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2013 Total
External interest income	26,489	3,199	7,223	6,805	467	-	44,183
External interest expense	(11,552)	(347)	(5,305)	(5,614)	(3,310)	-	(26,128)
Internal funding costs/revenues from Central treasury	(5,936)	(900)	2,768	1513	2,555	-	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>9,001</b>	<b>1,952</b>	<b>4,686</b>	<b>2,704</b>	<b>(288)</b>	<b>-</b>	<b>18,055</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(2,199)	(252)	(904)	-	-	(17)	(3,372)
<b>Net interest income</b>	<b>6,802</b>	<b>1,700</b>	<b>3,782</b>	<b>2,704</b>	<b>(288)</b>	<b>(17)</b>	<b>14,683</b>
Fee and commission income	1,795	652	3,081	91	10	-	5,629
Fee and commission expense	(88)	(28)	(1,233)	(53)	(32)	-	(1,434)
Trading and foreign exchange results	145	17	113	(1,166)	56	-	(835)
Other operating income	320	55	123	175	(5)	(80)	588
Net result from other segments*	(49)	(25)	56	225	(207)	-	-
<b>Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>8,925</b>	<b>2,371</b>	<b>5,922</b>	<b>1,976</b>	<b>(466)</b>	<b>(97)</b>	<b>18,631</b>
Recovery of/(impairment losses) of investments available-for-sale and investment property and provisions on other transactions	80	(21)	(31)	6	(1)	12	45
Operating expenses	(2,813)	(1,500)	(4,505)	(625)	(220)	(1,080)	(10,743)
<b>Operating profit/(loss) before income tax</b>	<b>6,192</b>	<b>850</b>	<b>1,386</b>	<b>1,357</b>	<b>(687)</b>	<b>(1,165)</b>	<b>7,933</b>
Income tax expense	-	-	-	-	-	(1,867)	(1,867)
<b>Net profit/(loss)</b>	<b>6,192</b>	<b>850</b>	<b>1,386</b>	<b>1,357</b>	<b>(687)</b>	<b>(3,032)</b>	<b>6,066</b>
Depreciation and amortization expense	(281)	(87)	(264)	(122)	(42)	(51)	(847)
Capital expenditures	178	63	180	67	23	42	553

\* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	30 June 2013 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	-	-	11,928	-	25,705	-	37,633
Minimum reserve deposits with CBR	1,216	107	763	611	5,320	-	8,017
Precious metals	7,223	-	10	-	-	-	7,233
Financial assets at fair value through profit or loss	127	-	-	107,821	15,057	-	123,005
Loans and advances to banks and other financial institutions	89	4	2,613	47,236	22,354	-	72,296
Loans to customers	502,131	44,525	104,917	51,200	-	72	702,845
Investments available-for-sale	-	-	70	1,794	24	-	1,888
Property, plant and equipment	3,426	1,075	3,259	1,461	963	635	10,819
Intangible assets	511	109	731	327	109	342	2,129
Goodwill	-	-	-	-	-	809	809
Investment property	2,356	-	-	1,490	-	953	4,799
Other assets	1,534	147	325	258	23	3,232	5,519
<b>TOTAL ASSETS</b>	<b>518,613</b>	<b>45,967</b>	<b>124,616</b>	<b>212,198</b>	<b>69,555</b>	<b>6,043</b>	<b>976,992</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	159	-	-	2,629	-	-	2,788
Due to banks and the Central Bank of the Russian Federation	9,456	3,964	1,527	155,288	2,053	-	172,288
Customer accounts	333,877	23,581	172,488	10,528	14,220	-	554,694
Bonds and Eurobonds	-	-	3,239	23,815	27,447	-	54,501
Promissory notes issued	10,625	1,052	47	19,174	290	-	31,188
Deferred income tax liabilities	-	-	-	-	-	1,812	1,812
Other liabilities	938	54	491	141	48	3,266	4,938
Subordinated debt	-	-	-	-	58,093	-	58,093
<b>TOTAL LIABILITIES</b>	<b>355,055</b>	<b>28,651</b>	<b>177,792</b>	<b>211,575</b>	<b>102,151</b>	<b>5,078</b>	<b>880,302</b>

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2012 Total
External interest income	19,122	2,475	4,558	4,527	86	-	30,768
External interest expense	(6,332)	(297)	(3,589)	(3,159)	(2,431)	-	(15,808)
Internal funding costs/revenues from Central treasury	(5,239)	(554)	2,448	142	3,203	-	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>7,551</b>	<b>1,624</b>	<b>3,417</b>	<b>1,510</b>	<b>858</b>	-	<b>14,960</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,367)	(201)	(26)	1	-	(1)	(1,594)
<b>Net interest income</b>	<b>6,184</b>	<b>1,423</b>	<b>3,391</b>	<b>1,511</b>	<b>858</b>	<b>(1)</b>	<b>13,366</b>
Fee and commission income	1,736	579	2,424	136	6	1	4,882
Fee and commission expense	(71)	(18)	(1,072)	(75)	(44)	-	(1,280)
Trading and foreign exchange results	313	17	162	2,343	(1,087)	-	1,748
Other operating income	799	(9)	145	258	(1)	78	1,270
Net result from other segments *	(46)	(11)	27	92	(62)	-	-
<b>Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>8,915</b>	<b>1,981</b>	<b>5,077</b>	<b>4,265</b>	<b>(330)</b>	<b>78</b>	<b>19,986</b>
Recovery of/(impairment losses) of investments available-for-sale and investment property and provisions on other transactions	129	(3)	(11)	54	-	12	181
Operating expenses	(2,417)	(1,375)	(3,796)	(692)	(176)	(1,154)	(9,610)
<b>Operating profit/(loss) before income tax</b>	<b>6,627</b>	<b>603</b>	<b>1,270</b>	<b>3,627</b>	<b>(506)</b>	<b>(1,064)</b>	<b>10,557</b>
Income tax expense	-	-	-	-	-	(2,264)	(2,264)
<b>Net profit/(loss)</b>	<b>6,627</b>	<b>603</b>	<b>1,270</b>	<b>3,627</b>	<b>(506)</b>	<b>(3,328)</b>	<b>8,293</b>
Depreciation and amortization expense	(191)	(113)	(374)	(40)	(11)	(87)	(816)
Capital expenditures	161	94	257	39	11	75	637

\* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2012 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	-	-	15,482	9,502	26,164	-	51,148
Minimum reserve deposits with CBR	-	-	-	-	6,932	-	6,932
Precious metals	6,390	-	12	-	-	-	6,402
Financial assets at fair value through profit or loss	92	-	-	104,162	-	-	104,254
Loans and advances to banks and other financial institutions	98	1	3,390	88,899	19,198	-	111,586
Loans to customers	422,035	38,947	90,112	39,420	-	50	590,564
Investments available-for-sale	-	-	-	4,895	24	-	4,919
Investments held to maturity	-	-	-	201	-	-	201
Property, plant and equipment	2,567	1,434	4,715	641	610	1,150	11,117
Intangible assets	365	172	1,412	43	-	489	2,481
Goodwill	-	-	-	-	-	809	809
Investment property	2,279	-	-	1,445	-	1,037	4,761
Other assets	1,062	466	218	302	25	2,656	4,729
<b>TOTAL ASSETS</b>	<b>434,888</b>	<b>41,020</b>	<b>115,341</b>	<b>249,510</b>	<b>52,953</b>	<b>6,191</b>	<b>899,903</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	19	-	-	3,172	-	-	3,191
Due to banks and the Central Bank of the Russian Federation	6,365	4,091	8,548	190,904	3,602	-	213,510
Customer accounts	267,557	28,009	157,275	4,559	14,327	-	471,727
Bonds and Eurobonds	-	-	3,765	27,085	11,768	-	42,618
Promissory notes issued	7,496	644	21	12,694	290	-	21,145
Deferred income tax liabilities	-	-	-	-	-	1,690	1,690
Other liabilities	842	45	749	125	156	2,871	4,788
Subordinated debt	-	-	-	-	50,873	-	50,873
<b>TOTAL LIABILITIES</b>	<b>282,279</b>	<b>32,789</b>	<b>170,358</b>	<b>238,539</b>	<b>81,016</b>	<b>4,561</b>	<b>809,542</b>

## 21. FAIR VALUE

### Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

**Bond prices** – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.

**Interest rates** – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.

**Foreign currency exchange rates** – there are observable markets both for spot and forward contracts and futures in the world's major currencies.

**Equity and equity index prices** – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

**Commodity prices** – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

### Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

- Cash and balances with the CBR and minimum reserve deposits with the CBR, due to the short-term environment of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.
- The fair value of loans and advanced to banks and loans to customers for loans provided during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other loans is estimated by application of market interest rates when the loans were originated with the year-end market rates offered on similar deposits with the deduction of the allowances for credit losses from the calculated fair value amounts
- The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Investments in equity instruments, which do not have quoted market prices in an active market are measured at cost, as their fair value can not be measured reliably.

- The fair value of units of investment funds, which have quoted prices on the active market, is determined based on the quoted market prices. For shares in investment funds, which have no quoted prices on the active market the Group uses an independent appraiser's valuation for determining the fair value of such shares in the investment funds. The fair value of the assets of the investment funds is determined by the use of different approaches (income approach, comparative approach and cost approach) and methods (income capitalization method, company-analogue method, discounted cash flows method, liquidation value method).
- Investments held to maturity is determined based on quoted active market prices at the reporting date.
- Other financial assets and liabilities is mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated by application of market interest rates when the deposits were placed with the year-end market rates offered on similar deposits. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values:

	30 June 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	37,633	37,633	51,148	51,148
Minimum reserve deposits with the Central Bank of the Russian Federation	8,017	8,017	6,932	6,932
Financial assets at fair value through profit or loss	123,005	123,005	104,254	104,254
Loans and advances to banks and other financial institutions	72,296	72,354	111,586	111,586
Loans to customers	702,845	723,302	590,564	657,455
Investments available-for-sale	1,888	1,888	4,919	4,919
Investments held to maturity	-	-	201	201
Other financial assets	1,128	1,128	870	870
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	2,788	2,788	3,191	3,191
Due to banks and the Central Bank of the Russian Federation	172,288	181,241	213,510	228,530
Customer accounts	554,694	560,767	471,727	476,493
Bonds and Eurobonds	54,501	51,188	42,618	43,480
Promissory notes issued	31,188	31,653	21,145	21,298
Other financial liabilities	3,597	3,597	3,670	3,670
Subordinated debt	58,093	59,445	50,873	51,996

### **Valuation hierarchy**

The tables below show the financial and non-financial instruments carried at fair value by hierarchy – level 1, level 2 and level 3. The valuation techniques, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions for level 3 financial instruments are set out below.

Quoted prices in an active market (Level 1): Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.

Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

There were no significant transfers to or from Level 1, Level 2 or Level 3 of the fair value hierarchy during the period.

The Group's valuation approach and fair value hierarchy categorisation for certain significant classes of financial and non-financial instruments recognised at fair value is as follows:

	<b>30 June 2013</b>			
	<b>Quoted prices in active market (Level 1)</b>	<b>Valuation techniques based on observable market data (Level 2)</b>	<b>Valuation techniques incorporating information other than observable market data (Level 3)</b>	<b>Total</b>
<b>Precious metals</b>	<b>7,233</b>	-	-	<b>7,233</b>
Corporate bonds and Eurobonds	49,583	-	-	49,583
Bonds and Eurobonds issued by banks	36,740	-	-	36,740
OFZ bonds	23,577	-	-	23,577
Municipal bonds	3,995	-	-	3,995
Promissory notes of credit institutions	323	3,284	-	3,607
RF Government Eurobond	3,045	-	-	3,045
Corporate shares	26	-	-	26
<b>Financial assets at fair value through profit or loss</b>	<b>117,289</b>	<b>3,284</b>	-	<b>120,573</b>
Foreign currency forwards	970	-	-	970
Foreign currency option	369	87	-	456
Foreign currency swaps	-	906	-	906
Precious metals forwards	25	-	-	25
Dealing security forwards	49	-	-	49
Dealing security futures	13	-	-	13
Oil and wheat forwards	7	-	-	7
Interest-rate swaps	-	6	-	6
<b>Derivative financial instruments</b>	<b>1,433</b>	<b>999</b>	-	<b>2,432</b>
<b>Due from banks in precious metals</b>	-	<b>7,550</b>	-	<b>7,550</b>
Bonds and Eurobonds issued by banks	77	941	-	1,018
Corporate shares	72	-	-	72
Corporate bonds and Eurobonds	308	12	-	320
Units of investment funds	63	-	-	63
<b>Investments available-for-sale</b>	<b>520</b>	<b>953</b>	-	<b>1,473</b>
<b>Land, buildings and constructions</b>	-	<b>8,799</b>	-	<b>8,799</b>
<b>Investment property</b>	-	<b>4,799</b>	-	<b>4,799</b>
Foreign currency forwards	(1,420)	-	-	(1,420)
Foreign currency option	(444)	(87)	-	(531)
Foreign currency swaps	-	(669)	-	(669)
Precious metals forwards	(63)	-	-	(63)
Dealing security forwards	(8)	-	-	(8)
Dealing security futures contracts	(6)	-	-	(6)
Oil and wheat forwards	(7)	-	-	(7)
Interest-rate swaps	-	(84)	-	(84)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(1,948)</b>	<b>(840)</b>	-	<b>(2,788)</b>
<b>Deposits from banks in precious metals</b>	-	<b>(8,474)</b>	-	<b>(8,474)</b>
<b>Customer accounts in precious metals</b>	-	<b>(5,278)</b>	-	<b>(5,278)</b>

	31 December 2012			
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
<b>Precious metals</b>	<b>6,402</b>	-	-	<b>6,402</b>
Bonds and Eurobonds issued by banks	34,302	-	-	34,302
Corporate bonds and Eurobonds OFZ bonds	34,023	-	-	34,023
Promissory notes of credit institutions	19,191	-	-	19,191
RF Government Eurobonds	-	6,833	-	6,833
Municipal bonds	2,231	-	-	2,231
Corporate shares	3,667	-	-	3,667
	30	-	-	30
<b>Financial assets at fair value through profit or loss</b>	<b>93,444</b>	<b>6,833</b>	-	<b>100,277</b>
Foreign currency forwards	3,786	-	-	3,786
Foreign currency option	-	32	-	32
Precious metals forwards	92	-	-	92
Dealing security futures	3	-	-	3
Oil forwards	2	-	-	2
Swaps	-	62	-	62
<b>Derivative financial instruments</b>	<b>3,883</b>	<b>94</b>	-	<b>3,977</b>
<b>Due from banks in precious metals</b>	-	<b>13,129</b>	-	<b>13,129</b>
Corporate bonds and Eurobonds	3,778	110	-	3,888
Bonds and Eurobonds issued by banks	542	-	-	542
Corporate shares	55	-	-	55
Units of investment funds	19	-	-	19
<b>Investments available-for-sale</b>	<b>4,394</b>	<b>110</b>	-	<b>4,504</b>
<b>Land, buildings and constructions</b>	-	<b>8,975</b>	-	<b>8,975</b>
<b>Investment property</b>	-	<b>4,761</b>	-	<b>4,761</b>
Foreign currency forwards	(1,829)	-	-	(1,829)
Foreign currency option	-	(32)	-	(32)
Precious metals forwards	(19)	-	-	(19)
Dealing security futures contracts	(7)	-	-	(7)
Swap	-	(168)	-	(168)
Other financial liabilities at fair value through profit and loss	(1,136)	-	-	(1,136)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(2,991)</b>	<b>(200)</b>	-	<b>(3,191)</b>
<b>Deposits from banks in precious metals</b>	-	<b>(14,032)</b>	-	<b>(14,032)</b>
<b>Customer accounts in precious metals</b>	-	<b>(7,093)</b>	-	<b>(7,093)</b>

Excluded from the table above were investments in equity securities of unlisted entities classified as available-for-sale securities. The fair value of such securities is not readily measurable accordingly such investments are carried at the acquisition cost.

As at 30 June 2013 and 31 December 2012 the value of such investments amounted RUB 415 million and RUB 415 million, respectively.

The Group invested in 2012 in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides a detail of the activity with respect to the fair value measurement during the period ending 31 December 2012.

	<u>31 December 2012</u>
<b>As at 1 January</b>	<b>5,651</b>
Purchase of shares	16
Disposal of shares	(5,655)
(Loss)/gains recognized in other comprehensive income	<u>(12)</u>
<b>As at 31 December</b>	<b><u>-</u></b>

## 22. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), non-controlling interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of investments available-for-sale and property, plant and equipment revaluation reserve.

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 30 June 2013 and 31 December 2012:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Tier 1 capital	94,763	88,481
Tier 2 capital	<u>48,489</u>	<u>45,310</u>
<b>Total regulatory capital</b>	<b><u>143,252</u></b>	<b><u>133,791</u></b>
Risk-weighted assets:		
Credit risks	826,311	733,989
Market risks	<u>100,107</u>	<u>87,033</u>
<b>Total risk-weighted assets</b>	<b><u>926,418</u></b>	<b><u>821,022</u></b>
Basel ratio	15.46%	16.30%
Tier 1	<u>10.23%</u>	<u>10.78%</u>

As at 30 June 2013 and 31 December 2012 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 30 June 2013 and 31 December 2012, the Group complied with Basel capital requirements.

The Bank’s overall capital management policy is aimed at the dynamic optimization of capital required for the Bank’s expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders’ vision and strategy of long-term Bank development.

## 23. RISK MANAGEMENT POLICY

### Market risk

Market risk is the risk that the Group will incur losses due to the unfavorable fluctuations in the market value of financial instruments (including derivatives), foreign exchange rates, prices of precious metals and interest rates.

Market risk includes securities price risk, currency risk and interest rate risk. The Group is exposed to currency risk because of its open positions in currencies and precious metals. The source for interest rate and securities price risks are open positions in interest rate and equity instruments which are subject to general and specific market fluctuations.

Day-to-day market risk management is performed by the Financial Market Operations Department, the Precious Metals Operations Department and the Treasury Directorate. The Market and Operational Risk Department evaluates the Group's exposure to securities price risk and currency risk. The Treasury Directorate estimates sensitivity of the Group's position to interest rates changes and sets guidelines for the interest rate risks. Financial Market Operations Department manages the open positions within the set of limits on a daily basis to increase the Group's profit.

### Methodology adopted by the Group for market risk measurement purposes

The Group applies Value-at-Risk (VaR) methodology to assess its exposure to currency and securities price risk. VaR provides an estimate (the value) of the maximum level of the Group's losses in the following sense: during a given period of time the loss for the concerned position in financial instrument/currency/precious metal or particular portfolio with a given probability will not exceed VaR.

The Group uses 99% confidence level and 10-day time horizon in its VaR calculation process. VaR is estimated with regard to the Group's currency position in terms of key currencies and gold and the Group's securities portfolios (equity, except for non quoted instruments, financial securities derivatives and fixed-income securities except for promissory notes). The Group applies historical and parametric methods for VaR calculation. The latter implies two options: the one assuming constant volatility of returns and another incorporating change in volatility captured by the recent market information.

The choice of an appropriate approach for VaR estimation is based on statistical analysis of the dynamics of financial instruments' fair values (defined by the Group's IFRS accounting policy) and official prices of currencies and precious metals set by the Bank of Russia. The sampling period used by the Group for simulation purposes depends on the instrument type: 259 days – for currencies and gold, 69-259 days – for financial instruments.

To control the accuracy of VaR estimates the Group performs regular backtesting that allows determining the extent to which risk assessment model corresponds to the real market situation.

Total data on the VaR assessment in respect for currency and securities price risks accepted by the Group as at 30 June 2013 and 31 December 2012 are presented as follows:

RUB million	minimum	average	maximum	30 June 2013
Currency risk	21	128	277	114
Fixed income securities price risk	712	1,295	2,898	2,898
Equity securities price risk	6	7	9	6

RUB million	minimum	average	maximum	31 December 2012
Currency risk	31	113	268	85
Fixed income securities price risk	552	979	2,560	756
Equity securities price risk	5	43	390	6

Although VaR is an industry standard for market risk estimation it has some limitations:

- VaR-based analysis is correct in case of preservation of the current market trends: use of historical data to assess future events fails to take into account all the scenarios possible, especially extraordinary ones;
- VaR estimates are sensitive to the liquidity of the market for a particular instrument, its illiquidity may lead to biased volatility estimation;
- Use of 99% confidence level disregards losses that may occur outside of this confidence range;
- 10-day time horizon implies that the Group's whole position could have been closed or hedged during that period. This assumption can be violated in case of the tightening market liquidity;
- VaR calculation based on business day results disregards fluctuations that could have taken place throughout the day.

In view of the above, the Group applies other risk measurement methods as well: gap analysis for interest rate risk, and net interest income sensitivity analysis.

#### Foreign currency and precious metals risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange and precious metals exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 30 June 2013 is presented in the table below:

	USD 1 USD = RUB 32.7090	Euro 1 EUR = RUB 42.7180	Gold 1 ounce = RUB 38,989.13	Other	30 June 2013 Total	
	RUB					
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	35,713	1,112	768	-	40	37,633
Minimum reserve deposits with the Central Bank of the Russian Federation	8,017	-	-	-	-	8,017
Financial assets at fair value through profit or loss	85,702	37,266	19	-	18	123,005
Loans and advances to banks and other financial institutions	25,786	30,500	9,039	6,386	585	72,296
Loans to customers	575,520	114,581	12,678	-	66	702,845
Investments available-for-sale	574	1,312	2	-	-	1,888
Other financial assets	1,038	67	18	-	5	1,128
<b>TOTAL FINANCIAL ASSETS</b>	<b>732,350</b>	<b>184,838</b>	<b>22,524</b>	<b>6,386</b>	<b>714</b>	<b>946,812</b>
Precious metals	-	-	-	6,510	723	7,233
Property, plant and equipment	10,819	-	-	-	-	10,819
Goodwill	809	-	-	-	-	809
Intangible assets	2,129	-	-	-	-	2,129
Investment property	4,799	-	-	-	-	4,799
Other non-financial assets	4,154	73	53	28	83	4,391
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>22,710</b>	<b>73</b>	<b>53</b>	<b>6,538</b>	<b>806</b>	<b>30,180</b>
<b>TOTAL ASSETS</b>	<b>755,060</b>	<b>184,911</b>	<b>22,577</b>	<b>12,924</b>	<b>1,520</b>	<b>976,992</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	165	2,523	82	-	18	2,788
Due to banks and the Central Bank of the Russian Federation	109,937	41,062	12,740	8,340	209	172,288
Customer accounts	485,705	48,847	14,020	4,342	1,780	554,694
Bonds and Eurobonds	27,054	27,447	-	-	-	54,501
Promissory notes issued	30,110	960	107	-	11	31,188
Other financial liabilities	3,159	84	11	343	-	3,597
Subordinated debt	12,638	45,455	-	-	-	58,093
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>668,768</b>	<b>166,378</b>	<b>26,960</b>	<b>13,025</b>	<b>2,018</b>	<b>877,149</b>
Deferred income tax liabilities	1,812	-	-	-	-	1,812
Other non-financial liabilities	1,341	-	-	-	-	1,341
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>3,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,153</b>
<b>TOTAL LIABILITIES</b>	<b>671,921</b>	<b>166,378</b>	<b>26,960</b>	<b>13,025</b>	<b>2,018</b>	<b>880,302</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>83,139</b>	<b>18,533</b>	<b>(4,383)</b>	<b>(101)</b>	<b>(498)</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(83,421)	(100,511)	(3,368)	(879)	(3,309)	(191,488)
Receivables under forward deals	93,026	87,097	6,006	1,623	3,736	191,488
Payables under spot deals	(8,199)	(11,887)	(2,238)	(791)	(1,693)	(24,808)
Receivables under spot deals	11,064	9,567	2,438	-	1,739	24,808
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>12,470</b>	<b>(15,734)</b>	<b>2,838</b>	<b>(47)</b>	<b>473</b>	
<b>TOTAL OPEN POSITION</b>	<b>95,609</b>	<b>2,799</b>	<b>(1,545)</b>	<b>(148)</b>	<b>(25)</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>284,423</b>	<b>21,647</b>	<b>6,259</b>	<b>-</b>	<b>48</b>	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2012 is presented in the table below:

	<b>RUB</b>	<b>USD</b> 1 USD = RUB 30.3727	<b>Euro</b> 1 EUR = RUB 40.2286	<b>Gold</b> 1 ounce = RUB 50,540.17	<b>Other</b>	<b>31 December 2012 Total</b>
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	49,882	624	632	-	10	51,148
Minimum reserve deposits with the Central Bank of the Russian Federation	6,932	-	-	-	-	6,932
Financial assets at fair value through profit or loss	85,948	18,242	38	5	21	104,254
Loans and advances to banks and other financial institutions	47,459	41,373	9,694	12,381	679	111,586
Loans to customers	473,730	102,253	14,542	-	39	590,564
Investments available-for-sale	4,397	520	2	-	-	4,919
Investments held to maturity	201	-	-	-	-	201
Other financial assets	817	49	4	-	-	870
<b>TOTAL FINANCIAL ASSETS</b>	<b>669,366</b>	<b>163,061</b>	<b>24,912</b>	<b>12,386</b>	<b>749</b>	<b>870,474</b>
Precious metals	-	-	-	5,806	596	6,402
Property, plant and equipment	11,117	-	-	-	-	11,117
Goodwill	809	-	-	-	-	809
Intangible assets	2,481	-	-	-	-	2,481
Investment property	4,761	-	-	-	-	4,761
Other non-financial assets	3,738	2	10	29	80	3,859
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>22,906</b>	<b>2</b>	<b>10</b>	<b>5,835</b>	<b>676</b>	<b>29,429</b>
<b>TOTAL ASSETS</b>	<b>692,272</b>	<b>163,063</b>	<b>24,922</b>	<b>18,221</b>	<b>1,425</b>	<b>899,903</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	2,906	132	130	3	20	3,191
Due to banks and the Central Bank of the Russian Federation	133,505	48,326	17,066	13,846	767	213,510
Customer accounts	407,635	41,873	14,222	6,366	1,631	471,727
Bonds and Eurobonds	30,851	11,767	-	-	-	42,618
Promissory notes issued	20,856	209	65	-	15	21,145
Other financial liabilities	3,200	176	21	265	-	3,662
Subordinated debt	12,606	38,267	-	-	-	50,873
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>611,559</b>	<b>140,750</b>	<b>31,504</b>	<b>20,480</b>	<b>2,433</b>	<b>806,726</b>
Deferred income tax liabilities	1,690	-	-	-	-	1,690
Other non-financial liabilities	1,126	-	-	-	-	1,126
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>2,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,816</b>
<b>TOTAL LIABILITIES</b>	<b>614,375</b>	<b>140,750</b>	<b>31,504</b>	<b>20,480</b>	<b>2,433</b>	<b>809,542</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>77,897</b>	<b>22,313</b>	<b>(6,582)</b>	<b>(2,259)</b>	<b>(1,008)</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(69,534)	(109,263)	(15,776)	(2,788)	(884)	(198,245)
Receivables under forward deals	85,282	84,658	20,786	5,260	2,259	198,245
Payables under spot deals	(3,654)	(4,992)	(3,673)	-	-	(12,319)
Receivables under spot deals	2,191	6,442	3,685	-	1	12,319
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>14,285</b>	<b>(23,155)</b>	<b>5,022</b>	<b>2,472</b>	<b>1,376</b>	
<b>TOTAL OPEN POSITION</b>	<b>92,182</b>	<b>(842)</b>	<b>(1,560)</b>	<b>213</b>	<b>368</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>256,762</b>	<b>13,236</b>	<b>7,999</b>	<b>-</b>	<b>78</b>	

## Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The below data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russian Federation. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented below.

While financial assets at fair value through profit or loss are mainly shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are re-priced only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 30 June 2013:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2013 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	37,633	-	-	-	-	-	37,633
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,017	8,017
Precious metals	7,233	-	-	-	-	-	7,233
Financial assets at fair value through profit or loss	121,018	140	346	1,501	-	-	123,005
Loans and advances to banks and other financial institutions	46,806	6,723	12,255	6,512	-	-	72,296
Loans to customers	65,254	65,532	245,052	236,205	90,802	-	702,845
Investments available-for-sale	-	-	-	1,876	12	-	1,888
Property, plant and equipment	-	-	-	-	-	10,819	10,819
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,129	2,129
Investment property	-	-	-	4,799	-	-	4,799
Other assets	2,290	961	1,901	151	149	67	5,519
<b>TOTAL ASSETS</b>	<b>280,234</b>	<b>73,356</b>	<b>259,554</b>	<b>251,044</b>	<b>90,963</b>	<b>21,841</b>	<b>976,992</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	643	154	512	1,479	-	-	2,788
Due to banks and the Central Bank of the Russian Federation	88,096	23,579	39,795	20,622	196	-	172,288
Customer accounts	170,900	74,260	215,232	94,241	61	-	554,694
Bonds and Eurobonds	451	450	16,198	34,163	3,239	-	54,501
Promissory notes issued	4,852	9,111	15,285	1,940	-	-	31,188
Deferred income tax liabilities	-	-	-	-	-	1,812	1,812
Other liabilities	2,857	437	1,156	470	18	-	4,938
Subordinated debt	561	37	20	11,434	46,041	-	58,093
<b>TOTAL LIABILITIES</b>	<b>268,360</b>	<b>108,028</b>	<b>288,198</b>	<b>164,349</b>	<b>49,555</b>	<b>1,812</b>	<b>880,302</b>
Liquidity gap	11,874	(34,672)	(28,644)	86,695	41,408	-	
Stable sources of funding (1)	102,225	15,989	67,953	(186,168)	-	-	
Adjusted liquidity gap (1)	114,099	(18,683)	39,309	(99,473)	41,408	-	

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2012:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	51,148	-	-	-	-	-	51,148
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	6,932	6,932
Precious metals	6,402	-	-	-	-	-	6,402
Financial assets at fair value through profit or loss	100,756	155	3,174	169	-	-	104,254
Loans and advances to banks and other financial institutions	99,104	3,027	233	9,222	-	-	111,586
Loans to customers	40,809	67,400	198,821	218,741	64,793	-	590,564
Investments available-for-sale	250	-	-	4,232	437	-	4,919
Investments held to maturity	-	-	201	-	-	-	201
Property, plant and equipment	-	-	-	-	-	11,117	11,117
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,481	2,481
Investment property	10	-	-	4,751	-	-	4,761
Other assets	1,315	461	2,890	17	16	30	4,729
<b>TOTAL ASSETS</b>	<b>299,794</b>	<b>71,043</b>	<b>205,319</b>	<b>237,132</b>	<b>65,246</b>	<b>21,369</b>	<b>899,903</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	1,961	91	876	263	-	-	3,191
Due to banks and the Central Bank of the Russian Federation	122,139	30,540	43,110	17,709	12	-	213,510
Customer accounts	198,134	67,012	173,747	32,779	55	-	471,727
Bonds and Eurobonds	173	443	16,346	21,906	3,750	-	42,618
Promissory notes issued	5,851	8,244	5,426	1,624	-	-	21,145
Deferred income tax liabilities	-	-	-	-	-	1,690	1,690
Other liabilities	1,867	1,406	1,327	188	-	-	4,788
Subordinated debt	2	1	552	10,624	39,694	-	50,873
<b>TOTAL LIABILITIES</b>	<b>330,127</b>	<b>107,737</b>	<b>241,384</b>	<b>85,093</b>	<b>43,511</b>	<b>1,690</b>	<b>809,542</b>
Liquidity gap	(30,333)	(36,694)	(36,065)	152,039	21,735	-	-
Stable sources of funding (1)	99,938	18,153	56,301	(174,392)	-	-	-
Adjusted liquidity gap (1)	69,605	(18,541)	20,236	(22,353)	21,735	-	-

- (1) For liability risk management purposes, the Group monitors the mismatch between asset and liability contractual maturities. In addition, the Group identifies certain financial instruments which represent a relatively stable source of funds, despite its contractually short maturities. These instruments are correspondent accounts of banks included within Due to banks and the Central Bank of the Russian Federation and customer accounts.

These financial instruments are split into homogeneous groups with similar statistical characteristics so that management can estimate the portion of these balances which are not subject to significant risk of reduction in outstanding balances. Large customers with the highest volatility are separated from the groups and pooled together so that management can use a stochastic model that better describes these large customers behaviour on a pool basis. The stable portion is estimated with a preset level of reliability and revised regularly, at least once a quarter.

Although management believes that these components of the correspondent and customer accounts are a stable source of funding, the Group considers that customer accounts related to small, homogeneous deposits will mature in three years while all other stable sources of funding will mature in one year from the balance sheet dates.

## 24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below:

	30 June 2013			31 December 2012		
	Related party trans- actions	Average effective interest %	Total category as per financial statements caption	Related party trans- actions	Average effective interest %	Total category as per financial statements caption
<b>Financial assets at fair value through profit or loss:</b>	<b>761</b>		<b>123,005</b>	<b>24</b>		<b>104,254</b>
Debt securities						
- companies controlled by shareholders	749	9.85%		-	-	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	12			24		
<b>Loans and advances to banks and other financial institutions:</b>	<b>83</b>		<b>72,296</b>	<b>-</b>		<b>111,586</b>
Loans to banks and other financial institutions						
- companies controlled by shareholders	27	5.54%		-		
Correspondent accounts with banks						
- companies controlled by shareholders	56			-		
<b>Loans to customers, gross:</b>	<b>42,982</b>		<b>725,526</b>	<b>32,425</b>		<b>612,466</b>
- key management personnel	31	10.66%		189	7.68%	
- companies controlled by shareholders	42,951	10.71%		32,236	9.29%	
<b>Allowance for impairment of loans to customers</b>	<b>(101)</b>		<b>(22,681)</b>	<b>(43)</b>		<b>(21,902)</b>
- companies controlled by shareholders	(101)			(43)		
<b>Investments available-for-sale</b>	<b>37</b>		<b>1,888</b>	<b>3,766</b>		<b>4,919</b>
Debt securities						
- companies controlled by shareholders	-			3,766	9.00%	
Equity securities						
- entities under common control	37			-		
<b>Other assets</b>	<b>54</b>		<b>5,519</b>	<b>17</b>		<b>4,729</b>
- companies controlled by shareholders	54			17		
<b>Financial liabilities at fair value through profit or loss</b>	<b>1</b>		<b>2,788</b>	<b>17</b>		<b>3,191</b>
- companies controlled by shareholders	1			17		
<b>Due to banks and the Central Bank of the Russian Federation:</b>	<b>5,787</b>		<b>172,288</b>	<b>36</b>		<b>213,510</b>
Time deposits from banks						
- companies controlled by shareholders	3,271	0.25%		-		
Correspondent accounts of other banks						
- companies controlled by shareholders	2,516			36		
<b>Customer accounts:</b>	<b>2,761</b>		<b>554,694</b>	<b>4,280</b>		<b>471,727</b>
Time deposits						
- shareholders of the Group	196	5.41%		1,029	4.16%	
- key management personnel	886	5.94%		1,363	5.68%	
- companies controlled by shareholders	1,251	7.62%		1,492	7.87%	
Repayable on demand						
- shareholders of the Group	1			1		
- entities under common control	6			2		
- key management personnel	40			40		
- companies controlled by shareholders	382			353		
<b>Subordinated debt</b>			<b>58,093</b>	<b>-</b>		<b>50,873</b>
- companies controlled by shareholders	6,004	12.00%		-		
<b>Other liabilities</b>	<b>405</b>		<b>4,938</b>	<b>101</b>		<b>4,788</b>
- key management personnel	249			100		
- companies controlled by shareholders	156			1		





	Three months ended 30 June 2013		Three months ended 30 June 2012	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>23,133</b>		<b>15,969</b>
- entities under common control			-	
- key management personnel	1		5	
- companies controlled by shareholders	1,177		799	
<b>Interest expense</b>		<b>(13,877)</b>		<b>(8,315)</b>
- shareholders of the Group	(7)		(182)	
- key management personnel	(14)		(26)	
- companies controlled by shareholders	(211)		(187)	
<b>Provision for impairment losses on interest bearing assets</b>		<b>(2,485)</b>		<b>(796)</b>
- entities under common control	-		-	
- companies controlled by shareholders	(89)		142	
<b>Trading (loss)/income</b>		<b>(1,524)</b>		<b>369</b>
- shareholders of the Group	(2)		(1)	
- key management personnel	(8)		17	
- companies controlled by shareholders	574		185	
<b>Fees and commission income</b>		<b>2,977</b>		<b>2,603</b>
- shareholders of the Group	1		-	
- companies controlled by shareholders	103		135	
<b>Fees and commission expense</b>		<b>(727)</b>		<b>(679)</b>
- companies controlled by shareholders	(2)		-	
<b>Other income/(expense)</b>		<b>(24)</b>		<b>261</b>
- companies controlled by shareholders	8		-	
<b>Operating expenses</b>		<b>(5,274)</b>		<b>(5,010)</b>
- key management personnel	(291)		(93)	
- companies controlled by shareholders	(21)		(14)	

## 25. SUBSEQUENT EVENTS

In July 2013 the Group issued bonds with a par value of RUB 6,513 million as part of a securitisation transaction. The Group's management determined that the Group had not transferred credit risks with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition. The bonds were issued by CJSC "Mortgage Agent KHMB-1", a special purpose company.

In July 2013 the Bank has completed the merge reorganization of two its subsidiaries OJSC "NOMOS-REGIOBANK" and OJSC "NOMOS Siberia".

In August 2013 the Supervisory Board of the Bank has decided to increase share capital by issuing additional ordinary registered shares. This offering plans to include 21.8 million shares (19.5% of share capital). The shares will be offered on the MICEX through open subscription.

In August 2013 the Supervisory Board of the Bank has also decided to hold two extraordinary shareholders meetings on 9 September and 28 October 2013.