

CREDIT BANK OF MOSCOW
(open joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the three-month period
ended 31 March 2014

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (open joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (open joint-stock company) and its subsidiaries (the Group) as at 31 March 2014, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim condensed 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.

Audited entity: CREDIT BANK OF MOSCOW (open joint-stock company).

Registered by the Central Bank of the Russian Federation on 18 August 1999, Registration No.1978.

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

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

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

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

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2014 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Kolosev A.E.

Director

Power of attorney dated 3 October 2011 No. 37/11

ZAO KPMG

Moscow, Russian Federation

10 June 2014

CREDIT BANK OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2014

	Notes	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Interest income	4	12 355 511	9 087 808
Interest expense	4	(7 396 678)	(5 481 522)
Net interest income	4	4 958 833	3 606 286
Provision for impairment of loans	12	(1 914 307)	(1 402 077)
Net interest income after provision for impairment of loans		3 044 526	2 204 209
Fee and commission income	5	1 913 673	1 240 037
Fee and commission expense	5	(335 593)	(109 667)
Net (loss) gain on financial instruments at fair value through profit or loss		(229 158)	176 143
Net realized (loss) gain on available-for-sale securities		(24 966)	9 864
Net foreign exchange gains		191 075	186 971
State deposit insurance scheme contributions		(134 781)	(111 897)
Other operating income, net		22 554	189 988
Non-interest income		1 402 804	1 581 439
Operating income		4 447 330	3 785 648
Salaries and employment benefits	6	(1 295 148)	(1 137 257)
Administrative expenses	6	(686 299)	(558 514)
Depreciation of property and equipment		(115 942)	(111 410)
Reversal of other provisions		191 311	211 417
Operating expense		(1 906 078)	(1 595 764)
Profit before income taxes		2 541 252	2 189 884
Income tax	7	(622 635)	(444 687)
Profit for the period		1 918 617	1 745 197

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2014

	Notes	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Profit for the period		1 918 617	1 745 197
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Revaluation reserve for available-for-sale securities:			
- net change in fair value		(176 411)	7 157
- net change in fair value transferred to profit or loss		8 885	(21 628)
Income tax related to other comprehensive income		33 505	2 894
Other comprehensive loss for the period, net of tax		(134 021)	(11 577)
Total comprehensive income for the period		1 784 596	1 733 620
Basic earnings per share (in RUB per share)	24	0.13	0.14

Acting Chairman of the Management Board



Dmitry A. Eremin

Acting Chief Accountant

 Ekaterina V. Toloka

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2014

	Notes	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
ASSETS			
Cash and cash equivalents	8	67 729 049	67 064 920
Obligatory reserves with the Central Bank of the Russian Federation		2 827 036	2 798 987
Due from credit institutions	9	4 058 368	10 466 017
Financial instruments at fair value through profit or loss	10	42 393 577	37 412 185
Available-for-sale securities	11	14 780 349	18 533 564
Loans to customers	12	323 177 609	308 940 610
Property and equipment		6 529 635	6 079 029
Goodwill		301 089	301 089
Other assets		1 807 426	2 605 717
Total assets		463 604 138	454 202 118
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation	13	5 010 962	14 566 171
Deposits by credit institutions	14	35 674 908	24 398 112
Deposits by customers	15	280 218 085	274 872 004
Debt securities issued	16	85 238 980	84 553 516
Deferred tax liability		1 939 747	1 880 127
Current tax liability		113 452	196 917
Other liabilities		2 965 361	3 077 224
Total liabilities		411 161 495	403 544 071
Equity			
Share capital	17	15 329 692	15 329 692
Additional paid-in capital		9 768 757	9 768 757
Revaluation surplus for buildings		1 115 928	1 115 928
Revaluation reserve for available-for-sale securities		(171 660)	(37 639)
Retained earnings		26 399 926	24 481 309
Total equity		52 442 643	50 658 047
Total liabilities and equity		463 604 138	454 202 118

Commitments and Contingencies

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Acting Chairman of the Management Board



Dmitry A. Eremin

Acting Chief Accountant

 Ekaterina V. Toloka

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

CREDIT BANK OJSC MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Cash Flows
for the three-month period ended 31 March 2014

Notes	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Net cash used in operations	(18 701 104)	(26 673 772)
Net cash from (used in) investing activities	3 268 996	(8 059 919)
Net cash from financing activities	13 578 584	16 271 021
Effect of exchange rates changes on cash and cash equivalents	1 189 394	100 607
Change in cash and cash equivalents	664 129	(18 362 063)
Cash and cash equivalents, beginning of the period	67 064 920	47 459 075
Cash and cash equivalents, end of the period	8 67 729 049	29 097 012

Acting Chairman of the Management Board



Dmitry A. Eremin

Acting Chief Accountant

 Ekaterina V. Toloka

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

CREDIT BANK OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Changes in Equity
for the three-month period ended 31 March 2014

	Share capital	Additional paid-in capital	Revaluation surplus for buildings	Revaluation reserve for available-for- sale securities	Retained earnings	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2012	13 539 763	9 019 295	1 115 928	16 061	15 601 246	39 292 293
Total comprehensive income for the period (unaudited)	-	-	-	(11 577)	1 745 197	1 733 620
31 March 2013 (unaudited)	<u>13 539 763</u>	<u>9 019 295</u>	<u>1 115 928</u>	<u>4 484</u>	<u>17 346 443</u>	<u>41 025 913</u>
31 December 2013	15 329 692	9 768 757	1 115 928	(37 639)	24 481 309	50 658 047
Total comprehensive income for the period (unaudited)	-	-	-	(134 021)	1 918 617	1 784 596
31 March 2014 (unaudited)	<u>15 329 692</u>	<u>9 768 757</u>	<u>1 115 928</u>	<u>(171 660)</u>	<u>26 399 926</u>	<u>52 442 643</u>

Acting Chairman of the Management Board



Dmitry A. Eremin

Acting Chief Accountant

Ekaterina V. Toloka

1 Background

Principal activities

These consolidated interim condensed financial statements include the financial statements of CREDIT BANK OF MOSCOW (open joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint-stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 15 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 60 branches, 736 ATMs and 5 598 payment terminals.

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			31 March 2014 RUB'000 (Unaudited)	31 December 2013
CBOM Finance p.l.c.	Ireland	Raising finance	100%	100%
MKB-Invest	Russia	Transactions with securities	100%	100%
MKB-Leasing	Russia	Finance leasing	100%	100%
M-Leasing	Russia	Finance leasing	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c." and "MKB Invest". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. MKB-Invest is controlled by the Group through an option agreement.

Shareholders

The Bank's shareholders as at 31 March 2014 are:

Concern Rossium, LLC (Parent Company) – 85.00%

European Bank for Reconstruction and Development (EBRD) – 7.50%

RBOF Holding Company I Ltd. – 4.61%

International Finance Corporation (IFC) – 2.89%

The sole shareholder of Concern Rossium, LLC, is Roman I. Avdeev, who is ultimate controlling party of the Group.

As at 31 March 2014, the Supervisory Board includes:

William F. Owens – Chairman

Members:

Richard D. Glasspool

Andrew S. Gazitua

Roman I. Avdeev

Alexander N. Nikolashin

Anton R. Avdeev

Vladimir A. Chubar

Mikhail E. Kuznetsov

Nicholas D. Haag

Bernard D. Sucher - new member

Brendan G. Walsh - new member

Thomas G. Grasse - new member

Related party transactions are detailed in note 20.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of a developing market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The political and economic instability witnessed in Ukraine has had and may continue to have a negative impact on the Russian economy. Certain sanctions were implemented by the EU and USA against Russian officials and businessmen. So far, these events have not had a significant impact on the Group's operations and financial position. However the impact on the consolidated financial statements of future instability in Ukraine, should it continue, and/or additional sanctions against Russia, if they were to be implemented, is at this stage difficult to determine. These consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2013, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale securities are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

The accounting policies applied by the Group in the preparation of these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2013.

Certain amendments to IFRS became effective from 1 January 2014 and have been adopted by the Group since that date. These changes do not have a significant effect on the consolidated interim condensed financial statements.

4 Net interest income

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Interest income		
Loans to customers	10 738 746	7 825 129
Financial instruments at fair value through profit or loss and available-for-sale securities	1 219 637	947 394
Due from credit institutions and the Central Bank of the Russian Federation	397 128	315 285
	12 355 511	9 087 808
Interest expense		
Deposits by customers	(4 894 946)	(3 758 906)
Debt securities issued	(1 927 421)	(1 045 312)
Deposits by credit institutions and the Central Bank of the Russian Federation (incl. international programmers)	(574 311)	(677 304)
	(7 396 678)	(5 481 522)
Net interest income	4 958 833	3 606 286

5 Net fee and commission income

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Fee and commission income		
Insurance contracts processing	462 618	297 202
Settlements and wire transfers	390 773	214 129
Guarantees and letters of credit	295 894	245 374
Plastic cards	336 673	110 605
Cash handling	314 256	267 453
Other cash operations	39 691	34 412
Currency exchange commission	30 926	51 319
Other	42 842	19 543
	1 913 673	1 240 037
Fee and commission expense		
Settlements and wire transfers	(284 308)	(73 034)
Other	(51 285)	(36 633)
	(335 593)	(109 667)
Net fee and commission income	1 578 080	1 130 370

6 Salaries, employment benefits and administrative expenses

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Salaries	971 826	870 769
Social security costs	305 286	239 978
Other	18 036	26 510
Salaries and employment benefits	1 295 148	1 137 257
Occupancy	215 516	168 160
Operating taxes	148 188	133 586
Advertising and business development	97 804	72 022
Property maintenance	55 090	46 354
Security	49 060	59 715
Write-off of low-value fixed assets	32 609	24 224
Computer maintenance and software expenses	19 409	12 008
Transport	16 610	11 769
Communications	8 478	11 747
Other	43 535	18 929
Administrative expenses	686 299	558 514

7 Income tax

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Current tax charge	529 510	205 584
Deferred taxation	93 125	239 103
Income tax expense	622 635	444 687

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2014 and 2013.

Income tax liabilities are recorded in the consolidated statement of financial position as follows:

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Current tax liability	113 452	196 917
Deferred tax liability	1 939 747	1 880 127
Income tax liability	2 053 199	2 077 044

8 Cash and cash equivalents

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Cash on hand	6 496 355	10 312 841
Correspondent account with the Central Bank of the Russian Federation	7 620 542	13 719 643
Nostro accounts with other banks		
rated from AA+ to AA-	452 998	721 960
rated from A+ to A-	12 829 526	3 168 085
rated from BBB+ to BBB-	6 016 327	1 548 056
rated from BB+ to BB-	2 660 894	1 412 775
rated from B+ to B-	25 333	58 601
not rated	199 912	478 463
Total nostro accounts with other banks	22 184 990	7 387 940
Due from credit institutions with maturity of less than 1 month		
Deposits with the Central Bank of the Russian Federation	-	12 000 000
rated from A+ to A-	7 428 821	6 689 761
rated from BBB+ to BBB-	1 377 332	2 500 437
rated from BB+ to BB-	2 785 213	-
rated from B+ to B-	17 086 490	11 441 144
not rated	2 749 306	3 013 154
Total due from credit institutions with maturity of less than 1 month	31 427 162	35 644 496
Total cash and cash equivalents	67 729 049	67 064 920

Ratings are based on Standard & Poor's rating system.

No cash and cash equivalents are impaired or past due.

The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 31 March 2014 receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 19 630 275 thousand (31 December 2013: RUB 13 876 923 thousand).

As at 31 March 2014, not rated due from credit institutions with maturity of less than 1 month includes term deposits secured by highly liquid debt securities under agreements to resell (reverse repo) in the amount of RUB 2 712 306 thousand (31 December 2013: RUB 3 013 154 thousand).

9 Due from credit institutions

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Term deposits		
rated from B+ to B-	3 161 730	9 134 652
not rated	896 638	1 331 365
Total due from credit institutions	4 058 368	10 466 017

No due from credit institutions are impaired or past due.

10 Financial instruments at fair value through profit or loss

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
<u>Held by the Group</u>		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	4 539 182	697 718
Moscow Government bonds	121 261	529 188
Regional authorities and municipal bonds	7 919 742	6 883 716
Corporate bonds		
rated AAA	153 779	152 669
from BBB+ to BBB-	4 628 712	5 003 704
from BB+ to BB-	7 028 196	1 974 860
from B+ to B-	11 151 586	9 812 311
not rated	4 638 227	4 606 902
Derivative financial instruments	448 736	197 313
Total held by the Group	40 629 421	29 858 381
<u>Pledged under sale and repurchase agreements</u>		
Russian Government Federal bonds (OFZ)	888 877	-
Regional authorities and municipal bonds	-	2 228 405
Corporate bonds		
from BBB+ to BBB-	875 279	2 974 542
from BB+ to BB-	-	2 142 751
not rated	-	208 106
Total pledged under sale and repurchase agreements	1 764 156	7 553 804
Total financial instruments at fair value through profit or loss	42 393 577	37 412 185

No financial instruments at fair value through profit or loss are impaired or past due.

As at 31 March 2014, debt instruments in the amount of RUB 37 271 758 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2013: RUB 25 583 495 thousand).

Derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 31 March 2014 and 31 December 2013 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resulting unrealised gains and losses on these unexpired contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss or other liabilities, as appropriate.

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2014

	Notional amount		Weighted average contractual exchange rates	
	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000	31 March 2014 (Unaudited)	31 December 2013
Buy RUB sell USD				
Less than 3 months	2 234 012	2 120 852	35.6962	32.8823
Buy USD sell RUB				
Less than 3 months	2 213 467	4 058 439	35.6090	32.1414
Between 3 months and 6 months	2 321 000	-	30.9467	-
Buy gold sell RUB				
Between 3 months and 6 months	297 340	-	1 466.48	-
Buy EUR sell RUB				
Less than 3 months	39 457	15 339	48.7118	45.1134
Buy CAD sell USD				
Less than 3 months	36 139	-	1.1011	-
Buy KZT sell RUB				
Less than 3 months	19 436	-	5.1450	-
Buy RUB sell EUR				
Less than 3 months	-	16 864	-	44.8600
Buy EUR sell USD				
Less than 3 months	-	674	-	1.3743

11 Available-for-sale securities

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
<u>Held by the Group</u>		
Corporate bonds		
from BBB+ to BBB-	4 351 415	915 894
from BB+ to BB-	2 962 179	815 781
from B+ to B-	2 786 814	1 483 679
not rated	-	60 385
Promissory notes		
from BBB+ to BBB-	1 910 083	1 404 848
from BB+ to BB-	991 955	3 208 017
from B+ to B-	761 004	1 723 193
not rated	1 011 822	941 440
Equity investments	5 077	4 661
Total held by the Group	14 780 349	10 557 898

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
<u>Pledged under sale and repurchase agreements</u>		
Corporate bonds		
from BBB+ to BBB-	-	5 842 803
from BB+ to BB-	-	1 159 761
from B+ to B-	-	504 820
Total pledged under sale and repurchase agreements	-	7 507 384
<u>Pledged as collateral for interbank and other loans</u>		
Promissory notes		
from BBB+ to BBB-	-	468 282
Total pledged as collateral for interbank and other loans	-	468 282
Total available-for-sale securities	14 780 349	18 533 564

No available-for-sale securities are impaired or past due.

As at 31 March 2014, debt instruments in the amount of RUB 6 179 530 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2013: RUB 4 230 210 thousand).

12 Loans to customers

	31 March 2014 RUB'000 (Unaudited)	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000	31 December 2013 RUB'000
	Loans	Impairment allowance	Loans	Impairment allowance
Loans to corporate clients	226 021 218	(4 517 532)	220 010 070	(4 453 275)
Loans to individuals				
Auto loans	10 201 377	(113 832)	10 305 656	(111 366)
Mortgage loans	16 502 242	(195 555)	15 677 650	(186 329)
Credit card loans	4 162 765	(431 010)	3 680 456	(309 052)
Other loans to individuals	76 366 879	(4 818 943)	68 185 781	(3 858 981)
Total loans to individuals	107 233 263	(5 559 340)	97 849 543	(4 465 728)
Gross loans to customers	333 254 481	(10 076 872)	317 859 613	(8 919 003)
Net loans to customers	323 177 609		308 940 610	

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 31 March 2014:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans to customers				
- Not past due	316 450 154	(4 106 422)	312 343 732	1.3
- Not past due but impaired	5 694 431	(530 579)	5 163 852	9.3
- Overdue less than 31 days	2 447 348	(284 805)	2 162 543	11.6
- Overdue 31-60 days	2 186 176	(641 729)	1 544 447	29.4
- Overdue 61-90 days	1 281 521	(645 950)	635 571	50.4
- Overdue 91-180 days	2 035 554	(1 444 165)	591 389	70.9
- Overdue 181-360 days	2 248 875	(1 785 238)	463 637	79.4
- Overdue more than 360 days	910 422	(637 984)	272 438	70.1
Total loans to customers	333 254 481	(10 076 872)	323 177 609	3.0

The following table provides information on credit quality of the loan portfolio as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Loans to customers				
- Not past due	303 860 751	(4 249 525)	299 611 226	1.4
- Not past due but impaired	6 161 291	(618 744)	5 542 547	10.0
- Overdue less than 31 days	2 138 075	(235 572)	1 902 503	11.0
- Overdue 31-60 days	832 030	(345 263)	486 767	41.5
- Overdue 61-90 days	673 036	(400 432)	272 604	59.5
- Overdue 91-180 days	1 576 806	(1 044 964)	531 842	66.3
- Overdue 181-360 days	1 765 664	(1 421 261)	344 403	80.5
- Overdue more than 360 days	851 960	(603 242)	248 718	70.8
Total loans to customers	317 859 613	(8 919 003)	308 940 610	2.8

As at 31 March 2014, the gross amount of overdue loans with payments that are overdue at least one day totals RUB 11 109 896 thousand, which represents 3.3% of the gross loan portfolio (31 December 2013: RUB 7 837 571 thousand and 2.5%, respectively).

Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 5 194 851 thousand or 1.6% of the gross loan portfolio (31 December 2013: RUB 4 194 430 thousand and 1.3 %, respectively).

NPLs together with restructured loans amount to RUB 9 237 124 thousand or 2.8% of the gross loan portfolio (31 December 2013: RUB 4 955 223 thousand and 1.6 %, respectively).

As at 31 March 2014, the ratio of total impairment allowance to overdue loans equals 90.7%, the ratio of total impairment allowance to NPLs equals 194.0% and the ratio of total impairment allowance to NPLs together with restructured loans equals 109.1% (31 December 2013: 113.8 %, 212.6 % and 180.0 %, respectively).

Movements in the loan impairment allowance for the three-month periods ended 31 March 2014 and 31 March 2013 are as follows:

	31 March 2014 RUB'000 (Unaudited)	31 March 2013 RUB'000 (Unaudited)
Balance at the beginning of the period	8 919 003	4 698 726
Net charge	1 914 307	1 402 077
Net write-offs	(756 438)	(351 887)
Balance at the end of the period	10 076 872	5 748 916

As at 31 March 2014, interest accrued on overdue and impaired loans amounts to RUB 524 245 thousand (31 December 2013: RUB 547 321 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 March 2014:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans to corporate clients				
- Not past due	218 283 645	(3 516 552)	214 767 093	1.6
- Not past due but impaired	5 694 431	(530 579)	5 163 852	9.3
- Overdue less than 31 days	284 558	(54 912)	229 646	19.3
- Overdue 31-60 days	1 071 567	(210 595)	860 972	19.7
- Overdue 61-90 days	346 020	(68 206)	277 814	19.7
- Overdue 91-180 days	103 905	(46 536)	57 369	44.8
- Overdue 181-360 days	196 788	(68 225)	128 563	34.7
- Overdue more than 360 days	40 304	(21 927)	18 377	54.4
Total loans to corporate clients	226 021 218	(4 517 532)	221 503 686	2.0

The following table provides information on credit quality of loans to corporate clients as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Loans to corporate clients				
- Not past due	213 315 950	(3 697 256)	209 618 694	1.7
- Not past due but impaired	6 161 291	(618 744)	5 542 547	10.0
- Overdue less than 31 days	120 135	(34 303)	85 832	28.6
- Overdue 31-60 days	24 475	(5 322)	19 153	21.7
- Overdue 61-90 days	29 566	(6 088)	23 478	20.6
- Overdue 91-180 days	239 256	(42 503)	196 753	17.8
- Overdue 181-360 days	96 508	(38 436)	58 072	39.8
- Overdue more than 360 days	22 889	(10 623)	12 266	46.4
Total loans to corporate clients	220 010 070	(4 453 275)	215 556 795	2.0

Included in not past due and not impaired loans to corporate clients as at 31 March 2014 are loans in the amount of RUB 6 811 999 thousand (31 December 2013: RUB 6 472 157 thousand) for which there have been some indications of impairment following certain negative developments in financial position of these borrowers during 2014. Management estimated the loan impairment allowance rate for these loans as 4% in accordance with the Group's methodology. Management monitors the situation and based on the understanding of the current developments, analysis of collateral and other factors, believes that this impairment allowance is appropriate. Also as the Group is the largest lender to these companies, it has the ability to monitor operating activities of these borrowers in order to protect its rights as a lender.

In 2014 the Group revised the methodology used to estimate the impairment allowance for loans to corporate clients for which no indications of impairment have been identified. The revised methodology is intended to provide a more accurate estimate of the impairment allowance.

As at 31 March 2014 the Group estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its internal credit rating adjusted for the value of collateral for portfolios of loans for which no indications of impairment have been identified. As a result of applying this methodology the impairment allowance for loans to corporate clients was RUB 206 604 thousand lower than it would have been if the previous methodology had been applied.

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as at 31 March 2014 would increase/decrease by RUB 2 215 036 thousand (31 December 2013: RUB 2 155 568 thousand).

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transaction: real estate (manufacturing premises, warehouses), equipment and motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes.

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 March 2014 and 31 December 2013:

	31 March 2014	31 December 2013
	RUB'000	RUB'000
	(Unaudited)	
Real estate	39 290 013	36 255 555
Securities	32 275 540	30 487 469
Goods in turnover	28 949 547	29 305 369
Claims for contract receivables	17 383 764	16 822 515
Equipment and motor vehicles	8 909 602	8 374 778
Bank's own debt securities	1 233 122	1 787 670
Corporate guarantees and no collateral	93 462 098	92 523 439
	221 503 686	215 556 795

The Group generally does not consider corporate guarantees for impairment assessment purposes.

The amounts in the table above represent the carrying value of the related loan, and do not necessarily represent the fair value of the collateral.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

Management estimates that the impairment allowance for loans to corporate customers would have been approximately RUB 7 066 417 thousand higher without any collateral (31 December 2013: RUB 5 542 547 thousand).

Collateral obtained

During the three-month period ended 31 March 2014, the Group obtained certain assets by taking possession of collateral for loans to corporate customers. The carrying amount of these assets, as at 31 March 2014, was RUB 30 409 thousand (31 December 2013: RUB 2 996 thousand). The Group's policy is to sell these assets as soon as it is practicable.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the three-month periods ended 31 March 2014 and 31 March 2013 are as follows:

	2014 RUB'000 (Unaudited)	2013 RUB'000 (Unaudited)
Balance at the beginning of the period	4 453 275	3 058 623
Net charge	229 848	511 225
Net write-offs	(165 591)	(125 435)
Balance at the end of the period	4 517 532	3 444 413

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 31 March 2014:

	Gross loans RUB'000 (Unaudited)	Impairment allowance RUB'000 (Unaudited)	Net loans RUB'000 (Unaudited)	Impairment to gross % (Unaudited)
Auto loans				
- Not past due	9 881 413	(2 464)	9 878 949	0.02
- Overdue less than 31 days	66 707	(1 059)	65 648	1.6
- Overdue 31-60 days	26 526	(748)	25 778	2.8
- Overdue 61-90 days	31 607	(2 562)	29 045	8.1
- Overdue 91-180 days	66 695	(27 073)	39 622	40.6
- Overdue 181-360 days	72 388	(40 632)	31 756	56.1
- Overdue more than 360 days	56 041	(39 294)	16 747	70.1
Total auto loans	10 201 377	(113 832)	10 087 545	1.1

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2014

	Gross loans	Impairment allowance	Net loans	Impairment to gross
	RUB'000	RUB'000	RUB'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans				
- Not past due	15 815 723	(12 753)	15 802 970	0.1
- Overdue less than 31 days	55 518	(337)	55 181	0.6
- Overdue 31-60 days	130 104	(1 021)	129 083	0.8
- Overdue 61-90 days	33 866	(629)	33 237	1.9
- Overdue 91-180 days	94 479	(10 854)	83 625	11.5
- Overdue 181-360 days	20 285	(4 662)	15 623	23.0
- Overdue more than 360 days	352 267	(165 299)	186 968	46.9
Total mortgage loans	16 502 242	(195 555)	16 306 687	1.2
Credit card loans				
- Not past due	2 973 548	(32 167)	2 941 381	1.1
- Overdue less than 31 days	569 625	(42 661)	526 964	7.5
- Overdue 31-60 days	190 114	(63 850)	126 264	33.6
- Overdue 61-90 days	91 269	(48 117)	43 152	52.7
- Overdue 91-180 days	117 511	(76 156)	41 355	64.8
- Overdue 181-360 days	193 856	(145 239)	48 617	74.9
- Overdue more than 360 days	26 842	(22 820)	4 022	85.0
Total credit card loans	4 162 765	(431 010)	3 731 755	10.4
Other loans to individuals				
- Not past due	69 495 825	(542 486)	68 953 339	0.8
- Overdue less than 31 days	1 470 940	(185 836)	1 285 104	12.6
- Overdue 31-60 days	767 865	(365 515)	402 350	47.6
- Overdue 61-90 days	778 759	(526 436)	252 323	67.6
- Overdue 91-180 days	1 652 964	(1 283 546)	369 418	77.7
- Overdue 181-360 days	1 765 558	(1 526 480)	239 078	86.5
- Overdue more than 360 days	434 968	(388 644)	46 324	89.4
Total other loans to individuals	76 366 879	(4 818 943)	71 547 936	6.3
Total loans to individuals	107 233 263	(5 559 340)	101 673 923	5.2

The following table provides information on the credit quality of loans to individuals as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Auto loans				
- Not past due	10 004 501	(2 513)	10 001 988	0.03
- Overdue less than 31 days	63 942	(1 016)	62 926	1.6
- Overdue 31-60 days	23 243	(655)	22 588	2.8
- Overdue 61-90 days	27 721	(2 247)	25 474	8.1
- Overdue 91-180 days	45 339	(17 798)	27 541	39.3
- Overdue 181-360 days	97 141	(56 789)	40 352	58.5
- Overdue more than 360 days	43 769	(30 348)	13 421	69.3
Total auto loans	10 305 656	(111 366)	10 194 290	1.1

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2014

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Mortgage loans				
- Not past due	15 096 667	(11 880)	15 084 787	0.1
- Overdue less than 31 days	114 877	(698)	114 179	0.6
- Overdue 31-60 days	34 942	(274)	34 668	0.8
- Overdue 61-90 days	32 312	(600)	31 712	1.9
- Overdue 91-180 days	19 383	(2 473)	16 910	12.8
- Overdue 181-360 days	45 867	(12 859)	33 008	28.0
- Overdue more than 360 days	333 602	(157 545)	176 057	47.2
Total mortgage loans	15 677 650	(186 329)	15 491 321	1.2
Credit card loans				
- Not past due	2 637 275	(23 943)	2 613 332	0.9
- Overdue less than 31 days	620 353	(39 046)	581 307	6.3
- Overdue 31-60 days	92 872	(26 959)	65 913	29.0
- Overdue 61-90 days	55 190	(28 285)	26 905	51.3
- Overdue 91-180 days	141 249	(88 370)	52 879	62.6
- Overdue 181-360 days	110 698	(83 326)	27 372	75.3
- Overdue more than 360 days	22 819	(19 123)	3 696	83.8
Total credit card loans	3 680 456	(309 052)	3 371 404	8.4
Other loans to individuals				
- Not past due	62 806 358	(513 933)	62 292 425	0.8
- Overdue less than 31 days	1 218 768	(160 509)	1 058 259	13.2
- Overdue 31-60 days	656 498	(312 053)	344 445	47.5
- Overdue 61-90 days	528 247	(363 212)	165 035	68.8
- Overdue 91-180 days	1 131 579	(893 820)	237 759	79.0
- Overdue 181-360 days	1 415 450	(1 229 851)	185 599	86.9
- Overdue more than 360 days	428 881	(385 603)	43 278	89.9
Total other loans to individuals	68 185 781	(3 858 981)	64 326 800	5.7
Total loans to individuals	97 849 543	(4 465 728)	93 383 815	4.6

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as at 31 March 2014 would increase/decrease by RUB 1 016 739 thousand (31 December 2013: RUB 933 838 thousand).

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying car. Credit card overdrafts and other loans to individuals are not secured.

For the allowance on a portfolio basis, management does not estimate loan impairment based on a specific analysis of the fair value of collateral but instead applies actual historical loss experience. However once a loan becomes impaired, management considers the fair value of collateral when assessing the impairment allowance for each individual loan.

As at 31 March 2014, impaired mortgage loans in the gross amount of RUB 686 519 thousand are secured by collateral with a fair value of RUB 552 002 thousand (31 December 2013: RUB 580 983 thousand and RUB 484 151 thousand, respectively). As at 31 March 2014, the Group estimates the fair value of private real estate undergoing foreclosure to be RUB 112 789 thousand (31 December 2013: RUB 113 342 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the three-month period ended 31 March 2014 are as follows:

	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at the beginning of the period	111 366	186 329	309 052	3 858 981	4 465 728
Net charge	63 164	9 226	159 420	1 452 649	1 684 459
Net write-offs	(60 698)	-	(37 462)	(492 687)	(590 847)
Balance at the end of the period	113 832	195 555	431 010	4 818 943	5 559 340

Movements in the loan impairment allowance by classes of loans to individuals for the three-month period ended 31 March 2013 are as follows:

	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at the beginning of the period	56 800	219 648	81 576	1 282 079	1 640 103
Net charge (recovery)	46 619	(8 415)	45 916	806 732	890 852
Net write-offs	(11 099)	-	(14 809)	(200 544)	(226 452)
Balance at the end of the period	92 320	211 233	112 683	1 888 267	2 304 503

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	31 March 2014	31 December 2013
	RUB'000	RUB'000
	(Unaudited)	
Loans to individuals	107 233 263	97 849 543
Consumer electronics, appliances and computers	29 349 977	26 902 297
Food and farm products	26 900 011	28 148 042
Residential and commercial construction and development	24 932 779	23 347 068
Automotive, motorcycles and spare parts	20 702 960	19 114 136
Metallurgical	18 540 541	20 133 322
Services	17 360 472	12 589 630
Oil and industrial chemicals	14 400 768	14 935 835
Clothing, shoes, textiles and sporting goods	12 505 304	11 121 156
Pharmaceutical and medical products	12 366 996	11 774 075
Financial	7 571 458	6 245 239
Paper, stationery and packaging products	7 378 527	7 692 161
Industrial equipment and machinery	7 363 863	6 341 601
Construction and decorative materials, furniture	6 656 676	6 581 178
Industrial and infrastructure construction	5 786 148	8 342 728
Property rental	4 120 091	5 545 992

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Consumer chemicals, perfumes and hygiene products	2 214 975	2 235 989
Gardening and pet products	1 110 557	970 578
Equipment leasing	1 049 361	1 748 930
Electric utility	986 159	1 310 007
Telecommunications	643 925	1 241 131
Books, video, print and copy	248 759	282 476
Products for home, gifts, jewelry and business accessories	156 061	560 088
Other	3 674 850	2 846 411
	333 254 481	317 859 613
Impairment allowance	(10 076 872)	(8 919 003)
	323 177 609	308 940 610

13 Deposits by the Central Bank of the Russian Federation

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Term deposits	5 010 962	8 513 459
Payables under repurchase agreements or collateralized loans	-	6 052 712
Total deposits by the Central Bank of the Russian Federation	5 010 962	14 566 171

14 Deposits by credit institutions

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Demand deposits	317 496	335 793
Term deposits	18 286 659	15 832 104
Payables under repurchase agreements or collateralized loans	2 236 254	6 909 639
Syndicated loans	14 117 101	650 756
Subordinated debt	717 398	669 820
Total deposits by credit institutions	35 674 908	24 398 112

In March 2014 the Bank attracted a syndicated loan from a number of credit institutions with a total facility of up to USD 500 million.

15 Deposits by customers

		31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Corporate customers	Demand	21 656 165	42 456 110
	Term	121 396 144	96 342 152
	Term notes	1 203 428	1 607 146
Total corporate customers		144 255 737	140 405 408
Individuals	Demand	10 813 553	9 682 192
	Term	125 148 795	124 784 404
Total individuals		135 962 348	134 466 596
Total deposits by customers		280 218 085	274 872 004

16 Debt securities issued

		31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Promissory notes issued at nominal value		6 547 291	6 925 845
Accrued interest		579	7 118
Unamortized discount		(244 027)	(274 384)
Total promissory notes issued		6 303 843	6 658 579
Subordinated bonds		23 480 834	21 562 286
Bonds		55 454 303	56 332 651
Total bonds issued		78 935 137	77 894 937
Total debt securities issued		85 238 980	84 553 516

Bondholders are entitled to demand early redemption of certain bonds at their nominal value.

All coupon payments are made semi-annually, and selected coupon rates are subject to change in accordance with terms of the issuance within a predetermined range.

17 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital comprises 14 467 761 735 shares (31 December 2013: 14 467 761 735 shares) with par value of 1 RUB per share. In addition, at 31 March 2014 the Bank has 21 808 396 273 authorized but unissued ordinary shares with an aggregate nominal value of RUB 21 808 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 861 930 thousand.

18 Commitments

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
Guarantees and letters of credit	52 993 396	70 165 586
Undrawn loan commitments	5 846 412	5 745 077
Other contingent liabilities	234 121	225 573
	59 073 929	76 136 236

19 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

20 Related party transactions

The outstanding balances with related parties and related average interest rates as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014 (Unaudited)		31 December 2013	
	Amount RUB'000	Average effective interest rate %	Amount RUB'000	Average effective interest rate %
Loans to customers				
Under control of majority shareholder	633 023	13.7	713 175	13.6
Management	51 574	11.4	187 581	14.0
Total loans	684 597		900 756	
Deposits by customers				
Majority shareholder	443 481	6.9	3 773 757	8.2
Parent company	35 279	11.0	41 350	11.0
Under control of majority shareholder	57 346	14.7	18 838	14.8
Management	150 126	5.8	167 823	7.1
Total deposits	686 232		4 001 768	
Guarantees issued				
Under control of majority shareholder	-		4 606 435	
Total guarantees	-		4 606 435	

Amounts included in profit or loss and other comprehensive income for the three-month periods ended 31 March 2014 and 31 March 2013 in relation to transactions with related parties are as follows:

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Interest income on loans to customers		
Majority shareholder	-	8 741
Under control of majority shareholder	22 393	39
Management	3 780	3 419
Total interest income	26 173	12 199
Interest expense on deposits by customers		
Majority shareholder	35 680	7 124
Parent company	810	7 075
Under control of majority shareholder	155	17 987
Management	2 259	1 756
Total interest expense	38 904	33 942

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the three-month periods ended 31 March 2014 and 31 March 2013 (refer to note 6) is as follows:

	Three-Month Period Ended 31 March 2014 RUB'000 (Unaudited)	Three-Month Period Ended 31 March 2013 RUB'000 (Unaudited)
Members of the Supervisory Board	9 940	46 403
Members of the Management Board	26 782	87 830
	36 722	134 233

21 Capital management

The Central Bank of the Russian Federation sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2014 this minimum level is 10%. The Bank was in compliance with the statutory capital ratio as at 31 March 2014 and 31 December 2013.

Beginning 1 April 2013 the Bank calculates the amount of capital and capital adequacy ratios in accordance with the CBR requirements based on the Basel III methodology and using financial statements prepared in accordance with Russian Accounting Principles. The amount of capital and capital adequacy ratios were used by the CBR in 2013 for informational purposes and not for supervision purposes. Beginning 1 January 2014, the CBR uses the new capital adequacy rules based on the Basel III methodology for supervision purposes.

Under new CBR regulations the minimum level of base capital adequacy ratio, core capital adequacy ratio and total capital adequacy (own funds) ratio calculated based on Russian Accounting Principles are 5%, 5.5% and 10%, respectively. In addition, the new capital adequacy rules in accordance with Basel III result in accelerated amortisation of the capital treatment of certain subordinated debt. The Bank was in compliance with the statutory Basel III capital ratio as at 31 March 2014.

As per the Basel III requirements as adopted in the Russian Federation, the capital adequacy ratio of the Group based on IFRS financial statements as at 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
<i>Tier 1 capital</i>		
Share capital and additional paid-in capital	25 098 449	25 098 449
Retained earnings	26 399 926	24 481 310
Goodwill	(301 089)	(301 089)
Intangible assets	(147 613)	(150 680)
Core tier 1 capital	51 049 673	49 127 990
Additional capital	-	-
Total tier 1 capital	51 049 673	49 127 990
<i>Tier 2 capital</i>		
Revaluation surplus for buildings	1 115 928	1 115 928
Revaluation reserve for investments available-for-sale	(171 660)	(37 639)
Subordinated loans		
Subordinated loans from Black Sea Trade And Development Bank	314 046	353 475
Subordinated bonds	20 431 373	20 504 600
Total tier 2 capital	21 689 687	21 936 364
Total capital	72 739 360	71 064 354
Risk-weighted assets		
Banking book	381 989 448	383 956 170
Trading book	62 776 702	65 310 150
Operational risk	32 943 246	32 943 246
Total risk weighted assets	477 709 396	482 209 566
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	15.2%	14.7%
Core tier 1 capital expressed as a percentage of risk-weighted assets (Core tier 1 capital ratio)	10.7%	10.2%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	10.7%	10.2%

Included in subordinated bonds in tier 2 capital are subordinated bonds in the amount of RUB 16 951 373 thousand (31 December 2013: RUB 16 461 421 thousand) which are fully in compliance with Basel III requirements as adopted in the Russian Federation. Other subordinated loans are subject to accelerated amortization beginning in April 2013, following the transition rules applied by the CBR for inclusion in tier 2 capital of subordinated loans received before March 2013.

22 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guaranties, corporate deposit taking, settlements and money transfer, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including other loans to individuals, car loans and mortgages, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- International business: comprises borrowings from international financial institutions and trade finance operations
- Cash operations: comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2014

The segment breakdown of assets and liabilities is set out below:

	31 March 2014 RUB'000 (Unaudited)	31 December 2013 RUB'000
ASSETS		
Corporate banking	223 352 122	217 129 590
Retail banking	102 652 523	94 755 319
Treasury	122 464 988	123 163 845
Cash operations	6 496 355	10 312 841
Unallocated assets	8 638 150	8 840 523
Total assets	463 604 138	454 202 118
LIABILITIES		
Corporate banking	144 255 737	140 405 408
Retail banking	135 962 348	134 466 596
Treasury	62 646 713	75 244 548
International business	63 278 136	48 273 251
Unallocated liabilities	5 018 561	5 154 268
Total liabilities	411 161 495	403 544 071

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2014

Segment information for the main reportable segments for the three-month period ended 31 March 2014 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	6 454 169	4 284 578	1 616 764	-	-	-	12 355 511
Fee and commission income	537 160	1 000 695	13 026	-	362 792	-	1 913 673
Net loss on securities	-	-	(254 124)	-	-	-	(254 124)
Net foreign exchange gains	34 790	34 638	121 647	-	-	-	191 075
Other operating income, net	13 046	9 477	31	-	-	-	22 554
(Expenses) revenue from other segments	(2 547 137)	1 067 104	336 547	1 094 836	48 650	-	-
Revenue	4 492 028	6 396 492	1 833 891	1 094 836	411 442	-	14 228 689
Impairment losses on loans	(229 848)	(1 684 459)	-	-	-	-	(1 914 307)
Interest expense	(1 896 760)	(2 998 186)	(1 493 658)	(1 008 074)	-	-	(7 396 678)
Fee and commission expense	(259 749)	(69 921)	(5 695)	-	(228)	-	(335 593)
General administrative and other expenses	(261 059)	(826 984)	(47 405)	(12 785)	(354 406)	(538 220)	(2 040 859)
Expense	(2 647 416)	(5 579 550)	(1 546 758)	(1 020 859)	(354 634)	(538 220)	(11 687 437)
Segment result	1 844 612	816 942	287 133	73 977	56 808	(538 220)	2 541 252

Segment information for the main reportable segments for the three-month period ended 31 March 2013 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	5 726 043	2 099 086	1 262 679	-	-	-	9 087 808
Fee and commission income	388 065	540 860	9 247	-	301 865	-	1 240 037
Net gain on securities	-	-	186 007	-	-	-	186 007
Net foreign exchange gains	100 961	14 316	71 694	-	-	-	186 971
Other operating income, net	139 177	43 919	6 892	-	-	-	189 988
(Expenses) revenue from other segments	(2 575 368)	1 919 317	(27 745)	657 430	26 366	-	-
Revenue	3 778 878	4 617 498	1 508 774	657 430	328 231	-	10 890 811
Impairment losses on loans	(511 225)	(890 852)	-	-	-	-	(1 402 077)
Interest expense	(1 057 601)	(2 701 306)	(1 241 868)	(480 747)	-	-	(5 481 522)
Fee and commission expense	(65 877)	(29 173)	(4 000)	(10 446)	(171)	-	(109 667)
General administrative and other expenses	(233 202)	(668 724)	(6 509)	(6 557)	(272 242)	(520 427)	(1 707 661)
Expense	(1 867 905)	(4 290 055)	(1 252 377)	(497 750)	(272 413)	(520 427)	(8 700 927)
Segment result	1 910 973	327 443	256 397	159 680	55 818	(520 427)	2 189 884

Information about major customers and geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

23 Financial assets and liabilities: fair values and accounting classifications

The estimates of fair value are intended to approximate the amount that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates used in estimating discount rates and foreign currency exchange rates.

The Group uses widely recognised valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

Management estimated that the carrying values for all financial assets and liabilities approximates their fair values at the reporting date.

The Group measures fair values for financial instruments recorded in the consolidated interim condensed statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables show an analysis of financial instruments recorded at fair value in the consolidated interim condensed statement of financial position for which fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 March 2014 and 31 December 2013:

	Level 1 RUB'000	Level 2 RUB'000	Total RUB'000
31 March 2014 (Unaudited)			
Financial assets at fair value through profit or loss			
Government, municipal and corporate bonds	41 783 435	161 406	41 944 841
Derivative financial instruments	-	448 736	448 736
Total	41 783 435	610 142	42 393 577
Available-for-sale securities			
Corporate bonds	9 065 250	1 035 158	10 100 408
Promissory notes	-	4 674 864	4 674 864
Total	9 065 250	5 710 022	14 775 272
	Level 1 RUB'000	Level 2 RUB'000	Total RUB'000
31 December 2013			
Financial assets at fair value through profit or loss			
Government, municipal and corporate bonds	37 214 872	-	37 214 872
Derivative financial instruments	-	197 313	197 313
Total	37 214 872	197 313	37 412 185
Available-for-sale securities			
Corporate bonds	10 783 123	-	10 783 123
Promissory notes	-	7 745 780	7 745 780
Total	10 783 123	7 745 780	18 528 903

The fair value of unquoted equity securities available-for-sale with a carrying value of RUB 5 077 thousand (31 December 2013: RUB 4 661 thousand) cannot be determined.

As at 31 March 2014 the discount rates used for fair value calculation of Level 2 derivative financial instruments are 0.24% for financial instruments in USD and 9.13% for financial instruments in RUB (31 December 2013: 0.21%-0.28% in USD, 6.11%-6.58% in RUB).

During the three-month period ended 31 March 2014 there were no transfers of financial instruments between Level 1 and Level 2.

As at 31 March 2014 and 31 December 2013 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of unobservable inputs (Level 3).

24 Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the year.

Basic earnings per share are calculated as follows:

	31 March 2014 RUB'000 (Unaudited)	31 March 2013 RUB'000 (Unaudited)
Profit for the period	1 918 617	1 745 197
Weighted average number of ordinary shares in issue	14 467 761 735	12 677 832 952
Basic earnings per share (in RUB per share)	0.13	0.14

The Group has no dilutive potential ordinary shares.

25 Events subsequent to the reporting date

In April 2014 the Bank received permission from the CBR to place, and (or) arrange for trading of, its securities outside of the Russian Federation at the London Stock Exchange plc.

In April 2014 the Bank paid out the eighth coupon in the amount of RUB 129.30 million or RUB 43.13 per bond on domestic bonds series 08. The issue was originally placed on 14 April 2010 in the amount of RUB 3 billion with a maturity of 5 years.

In April 2014 the Bank redeemed domestic exchange bonds series BO-04. The issue was originally placed on 15 April 2011 in the amount of RUB 5 billion with a maturity of 3 years.

In April 2014 the Bank signed a loan facility agreement with SME Bank in the amount of RUB 1 billion with a maturity of 2 years for financing of factoring products for SME clients.

In April 2014 the Bank paid out the first coupon in the amount of RUB 223.15 million or RUB 44.63 per bond on domestic exchange bonds series BO-06. The issue was originally placed on 24 October 2013 in the amount of RUB 5 billion with a maturity of 5 years.

In April 2014 the Bank paid out the forth coupon in the amount of RUB 187.47 million or RUB 46.87 per bond on domestic exchange bonds series BO-03. The issue was originally placed on 27 April 2012 in the amount of RUB 4 billion with a maturity of 3 years.

In April 2014 the Bank paid out the first coupon in the amount of RUB 226.90 million or RUB 45.38 per bond on domestic exchange bonds series BO-07. The issue was originally placed on 30 October 2013 in the amount of RUB 5 billion with a maturity of 5 years.

In May 2014 the Supervisory Board of the Bank decided to place domestic exchange bond issues series BO-10, BO-11, BO-12, BO-13, BO-14 and BO-15. The securities will be placed on MICEX by way of public subscription. The declared volume of each issue is 5,000,000 bonds with a nominal value of RUB 1,000 each and a total nominal value of RUB 5 billion. The maturity of each issue is 5 years.

In June 2014 international rating agency Standard and Poor's affirmed the Bank's long-term credit rating at "BB-", Russia national scale rating at "ruAA-", and short-term credit rating at "B". The outlook was set "Stable".

In June 2014 Yulia B. Podobrazhnykh, previously Deputy Chairperson of the Management Board, and Evgeny V. Sandler, previously Deputy Chairman of the Management Board, left the Management Board.

Acting Chairman of the Management Board



Dmitry A. Eremin

Acting Chief Accountant

Ekaterina V. Toloka

10 June 2014