

CREDIT BANK OF MOSCOW
(open joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the six-month period
ended 30 June 2013

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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 30 June 2013, and the related consolidated interim condensed statements of profit and loss and other comprehensive income for the three- and the six-month periods ended 30 June 2013 and the related interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2013, 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.

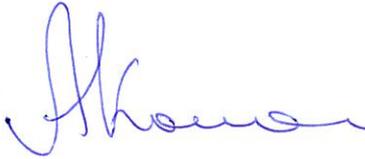
Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

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 30 June 2013 and for the three- and the six-month periods ended 30 June 2013 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Kolosov A.E.

Director, power of attorney dated 3 October 2011 No. 37/11

ZAO KPMG

21 August 2013

Moscow, Russian Federation

CREDIT BANK OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive Income
for the three- and the six-month periods ended 30 June 2013

	Notes	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Interest income	4	18 831 564	13 026 193	9 743 756	7 053 646
Interest expense	4	(11 100 887)	(7 503 602)	(5 619 365)	(3 872 304)
Net interest income	4	7 730 677	5 522 591	4 124 391	3 181 342
Provision for impairment of loans	12	(2 736 158)	(1 023 174)	(1 334 081)	(575 489)
Net interest income after provision for impairment of loans		4 994 519	4 499 417	2 790 310	2 605 853
Fee and commission income	5	3 080 485	1 816 563	1 840 448	1 027 030
Fee and commission expense		(269 973)	(178 759)	(160 306)	(95 955)
Net gain (loss) on financial instruments at fair value through profit or loss		134 011	3 925	(42 132)	(444 889)
Net realized gain (loss) on available-for-sale assets		26 791	642	16 927	(1 874)
Foreign exchange gains (losses), net		302 812	(66 608)	115 841	(12 413)
State deposit insurance scheme contributions		(231 674)	(177 675)	(119 777)	(91 268)
Other operating income, net		270 316	44 102	80 328	36 000
Non-interest income		3 312 768	1 442 190	1 731 329	416 631
Operating income		8 307 287	5 941 607	4 521 639	3 022 484
Salaries and employment benefits	6	(2 150 450)	(1 691 203)	(1 013 193)	(816 447)
Administrative expenses	6	(1 239 959)	(1 191 162)	(681 445)	(669 060)
Recovery of (provision for) impairment of other assets and credit related commitments		129 267	(198 025)	(82 150)	(275 621)
Depreciation of property and equipment	13	(227 505)	(166 410)	(116 095)	(84 671)
Operating expense		(3 488 647)	(3 246 800)	(1 892 883)	(1 845 799)
Profit before income taxes		4 818 640	2 694 807	2 628 756	1 176 685
Income taxes	7	(993 158)	(542 315)	(548 471)	(238 805)
Net profit		3 825 482	2 152 492	2 080 285	937 880
Other comprehensive income					
Revaluation reserve for available-for-sale securities					
- Net change in fair value		(76 887)	18 664	(84 044)	8 953
- Net change in fair value transferred to profit or loss		(27 583)	6 533	(5 955)	7 461
Income tax related to other comprehensive income		20 894	(5 040)	18 000	(3 283)
Other comprehensive (loss) income for the period, net of income taxes		(83 576)	20 157	(71 999)	13 131
Comprehensive income for the period		3 741 906	2 172 649	2 008 286	951 011

Chairman of the Management Board

Vladimir A. Chubar

Acting Chief Accountant

Ekaterina V. Toloka



The consolidated interim condensed statement of profit and 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 30 June 2013

	Notes	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
ASSETS			
Cash and cash equivalents	8	46 979 040	47 459 075
Obligatory reserves with the Central Bank of the Russian Federation		3 488 035	2 545 772
Due from credit institutions	9	4 916 265	12 520 791
Financial instruments at fair value through profit or loss	10	26 467 519	31 684 816
Available-for-sale securities	11	14 282 761	5 447 594
Loans to customers	12	255 909 097	201 234 522
Property and equipment	13	6 015 117	6 079 620
Other assets		1 664 567	1 755 195
Total assets		359 722 401	308 727 385
LIABILITIES AND EQUITY			
Deposits by credit institutions	14	33 337 414	35 183 733
Deposits by customers	15	202 403 927	189 014 104
Debt securities issued	16	74 410 597	40 013 790
Deferred tax liability	7	2 991 452	2 608 594
Current tax liability	7	144 145	125 817
Other liabilities		3 400 667	2 489 054
Total liabilities		316 688 202	269 435 092
Equity			
Share capital	17	13 539 763	13 539 763
Additional paid-in capital		9 019 295	9 019 295
Revaluation surplus for buildings		1 115 928	1 115 928
Revaluation reserve for available-for-sale securities		(67 515)	16 061
Retained earnings		19 426 728	15 601 246
Total equity		43 034 199	39 292 293
Total liabilities and equity		359 722 401	308 727 385

Commitments and Contingencies 18-19

Chairman of the Management Board

Vladimir A. Chubar

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 OF MOSCOW (open joint-stock company)
Consolidated Interim Condensed Statement of Cash Flows
for the six-month period ended 30 June 2013

Notes	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Net cash used in operations	(23 980 241)	(5 053 690)
Net cash used in investing activities	(8 587 320)	(2 108 287)
Net cash from financing activities	31 200 172	6 247 710
Effect of exchange rates changes on cash and cash equivalents	887 354	221 819
Change in cash and cash equivalents	(480 035)	(692 448)
Cash and cash equivalents, beginning of the period	47 459 075	34 433 419
Cash and cash equivalents, end of the period 8	46 979 040	33 740 971

Chairman of the Management Board

Vladimir A. Chubar

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 six-month period ended 30 June 2013

	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 2011	11 638 088	3 699 047	500 424	(53 017)	9 823 364	25 607 906
Total comprehensive income for the period (unaudited)	-	-	-	20 157	2 152 492	2 172 649
Transactions with owners, recorded directly in equity						
Contribution from the ultimate shareholder (net of deferred tax of RUB 364 962 thousand) (unaudited)	-	1 459 848	-	-	-	1 459 848
Total transactions with owners, recorded directly in equity (unaudited)	-	1 459 848	-	-	-	1 459 848
30 June 2012 (unaudited)	11 638 088	5 158 895	500 424	(32 860)	11 975 856	29 240 403
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)	-	-	-	(83 576)	3 825 482	3 741 906
30 June 2013 (unaudited)	13 539 763	9 019 295	1 115 928	(67 515)	19 426 728	43 034 199

Chairman of the Management Board

Acting Chief Accountant



Vladimir A. Chubar

Ekaterina V. Toloka

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

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 closed joint-stock 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, renewed on 21 January 2013. In December 2004 the Bank was admitted to the Central Bank of Russia program for individual deposit insurance. The Bank is among the 20 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 60 branches, over 690 ATMs and 4 400 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:

CBOM Finance p.l.c. (Ireland), Raising finance

MKB-Invest (Russia), Transactions with securities

MKB-Leasing (Russia), Finance leasing

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

Shareholders

The Bank's shareholders as at 30 June 2013 are:

Concern Rossium, LLC – 85.00%

European Bank for Reconstruction and Development – 7.50%

RBOF Holding Company I Ltd. – 4.61%

International Finance Corporation – 2.89%

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

As at the date of these consolidated interim condensed financial statements, the members of the Supervisory Board are as follows:

Supervisory Board

William Owens	Chairman
Richard Glasspool	Member
Genadi Lewinski	Member
Andrew Gazitua	Member
Mustafa Boran	Member
Mikhail E. Kuznetsov	Member

Vadim N. Sorokin	Member
Roman I. Avdeev	Member
Alexander N. Nikolashin	Member
Anton R. Avdeev	Member
Nikolay V. Kosarev	Member
Vladimir A. Chubar	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 an emerging 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. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. The 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 2012, 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 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 2012.

Certain new standards and improvements to IFRS became effective from 1 January 2013 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.

- IFRS 10 *Consolidated Financial Statements* introduced a single control model under which an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns.
- IFRS 12 *Disclosure of Interests in Other Entities* introduced disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.
- IFRS 13 *Fair Value Measurement* replaced the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards.

Comparative information

The presentation of certain captions relating to fee and commission income, foreign exchange gains (losses), net other operating income and administrative expenses was changed for the three- and the six-month periods ended 30 June 2013 in comparison with the three- and the six-month periods ended 30 June 2012 to better present the nature of the underlying transactions. Comparative information is reclassified to conform to changes in presentation in the current period. The effect of this change in presentation is as follows:

	Six-Month Period Ended 30 June 2012 as previously reported RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 as currently reported RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 as previously reported RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 as currently reported RUB'000 (Unaudited)
Reclassification of foreign exchange transaction related fees from "Foreign exchange gains (losses), net" to "Fee and commission income"				
Fee and commission income	1 742 512	1 816 563	986 054	1 027 030
Foreign exchange gains (losses), net	7 443	(66 608)	28 563	(12 413)
Reclassification of write-off of low-value fixed assets from "Other operating expenses" to "Administrative expenses" and presentation of other operating income and expense in one line "Other operating income, net"				
Other operating expenses	(188 423)	-	(113 256)	-
Other operating income	147 451	-	92 792	-
Other operating income, net	-	44 102	-	36 000
Administrative expenses	(1 106 088)	(1 191 162)	(612 596)	(669 060)

4 Net interest income

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Interest income				
Loans to customers	16 322 908	11 107 495	8 497 779	6 089 199
Financial instruments at fair value through profit or loss and available- for-sale securities	1 894 289	1 604 452	946 895	814 158
Due from credit institutions and the Central Bank of the Russian Federation	614 367	314 246	299 082	150 289
	18 831 564	13 026 193	9 743 756	7 053 646
Interest expense				
Deposits by customers	(7 695 020)	(5 514 322)	(3 936 114)	(2 686 111)
Debt securities issued	(2 605 697)	(1 320 803)	(1 560 385)	(803 167)
Deposits by credit institutions and the Central Bank of the Russian Federation	(800 170)	(668 477)	(122 866)	(383 026)
	(11 100 887)	(7 503 602)	(5 619 365)	(3 872 304)
Net interest income	7 730 677	5 522 591	4 124 391	3 181 342

5 Fee and commission income

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Insurance contracts processing	996 099	241 003	698 897	178 158
Cash collection delivery	553 982	447 004	286 529	238 143
Settlements and wire transfers	472 903	404 331	258 774	225 812
Guarantees and letters of credit	462 558	403 892	217 184	222 695
Plastic cards	242 608	165 596	132 003	78 757
Currency exchange commission	109 898	74 051	58 579	40 976
Other cash operations	87 097	58 173	52 685	32 013
Other	155 340	22 513	135 797	10 476
Fee and commission income	3 080 485	1 816 563	1 840 448	1 027 030

6 Salaries, employment benefits and administrative expenses

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Salaries	1 664 055	1 338 231	793 286	649 429
Social security costs	434 559	337 255	194 581	158 124
Other	51 836	15 717	25 326	8 894
Salaries and employment benefits	2 150 450	1 691 203	1 013 193	816 447
Occupancy	357 214	428 117	189 054	226 913
Operating taxes	269 547	194 755	135 961	108 154
Advertising and business development	221 989	186 012	149 967	112 826
Property maintenance	137 133	176 024	66 555	113 091
Security	122 858	99 676	63 143	51 954
Computer maintenance and software expenses	39 338	13 497	27 330	7 725
Transport	28 575	27 214	16 806	15 100
Communications	24 852	22 573	13 105	11 996
Other	38 453	43 294	19 524	21 301
Administrative expenses	1 239 959	1 191 162	681 445	669 060

7 Income tax

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Current tax charge	589 332	683 368
Deferred taxation	403 826	(141 053)
Income tax expense	993 158	542 315

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The income tax rate for the Bank is 20% (2012: 20%).

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Profit before income taxes	4 818 640	2 694 807
Applicable statutory tax rate	20%	20%
Income tax using the applicable tax rate	963 728	538 961
Income taxed at lower rate	(16 217)	(18 697)
Net non-deductible costs	45 647	22 051
Income tax expense	993 158	542 315

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

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Current tax liability	144 145	125 817
Deferred tax liability	2 991 452	2 608 594
Income tax liability	3 135 597	2 734 411

8 Cash and cash equivalents

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Cash on hand	7 916 658	10 829 487
Correspondent account with the Central Bank of the Russian Federation	7 897 147	7 380 087
Nostro accounts with other banks		
rated from AA+ to AA-	1 016 319	2 356 479
rated from A+ to A-	1 650 118	3 661 702
rated from BBB+ to BBB-	2 950 608	2 772 663
rated from BB+ to BB-	8 607	11 150
rated from B+ to B-	48 657	54 111
not rated	106 693	169 090
Total nostro accounts with other banks	5 781 002	9 025 195
Due from credit institutions with maturity of less than 1 month		
rated from A+ to A-	10 245 668	3 057 049
rated from BBB+ to BBB-	-	12 003 049
rated from B+ to B-	7 205 256	2 727 184
not rated	7 933 309	2 437 024
Total due from credit institutions with maturity of less than 1 month	25 384 233	20 224 306
Total cash and cash equivalents	46 979 040	47 459 075

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

No cash and cash equivalents are impaired or past due.

As at 30 June 2013 not rated due from credit institutions with maturity of less than 1 month includes term deposits secured by liquid debt securities under agreements to resell (reverse repo) in the amount of RUB 5 220 422 thousand (31 December 2012: RUB 610 228 thousand).

9 Due from credit institutions

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Term deposits		
rated from B+ to B-	3 456 000	8 634 326
not rated	1 460 265	3 886 465
Total due from credit institutions	4 916 265	12 520 791

No due from credit institutions are impaired or past due.

10 Financial instruments at fair value through profit or loss

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
<u>Held by the Group</u>		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	570 230	3 575 134
Moscow Government bonds	368 414	384 119
Regional authorities and municipal bonds	5 470 035	3 770 072
Russian Government Eurobonds	-	72
Corporate bonds		
rated AAA	154 076	151 919
from BBB+ to BBB-	5 125 005	6 514 582
from BB+ to BB-	5 879 380	8 646 144
from B+ to B-	6 343 341	7 877 210
not rated	2 193 831	746 721
Derivative financial instruments	363 197	18 826
Equity investments	10	17
Total financial instruments at fair value through profit or loss held by the Group	26 467 519	31 684 816

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

As at 30 June 2013 debt instruments in the amount of RUB 22 464 617 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2012: RUB 25 419 690 thousand).

Derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 30 June 2013 and 31 December 2012 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 unmatured 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.

	Notional amount		Weighted average contractual exchange rates	
	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000	30 June 2013 (Unaudited)	31 December 2012
Buy USD sell RUB				
Less than 3 months	874 894	8 835 418	32.7737	30.3639
Buy USD sell RUB				
Between 3 months and 1 year	2 364 600	-	31.5280	-
Buy USD sell RUB				
Between 1 year and 3 years	2 321 000	-	30.9467	-
Buy RUB sell USD				
Less than 3 months	2 296 700	8 048 766	32.8100	30.3354
Buy EUR sell RUB				
Less than 3 months	63 453	-	42.7583	-
Buy RUB sell EUR				
Less than 3 months	-	522 972	-	40.3054
Buy RUB sell gold				
Less than 3 months	12 979	-	1 298.00	-
Buy gold sell RUB				
Between 3 months and 1 year	972 826	1 294 848	1 271.84	1 619.78

11 Available-for-sale securities

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
<u>Held by the Group</u>		
Corporate bonds		
from BBB+ to BBB-	1 443 847	1 005 788
from BB+ to BB-	1 365 225	1 727 976
from B+ to B-	439 608	320 678
not rated	60 866	62 032
Promissory notes		
from BBB+ to BBB-	6 421 473	1 175 991
from BB+ to BB-	2 536 476	688 723
from B+ to B-	1 522 164	-
Equity investments	8 890	26 006
Total available-for-sale securities held by the Group	13 798 549	5 007 194
<u>Pledged as collateral for interbank and other loans</u>		
Promissory notes		
from BBB+ to BBB-	484 212	440 400
Total available-for-sale securities pledged as collateral for interbank and other loans	484 212	440 400
Total available-for-sale securities	14 282 761	5 447 594

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

As at 30 June 2013 debt instruments in the amount of RUB 2 635 928 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2012: RUB 2 893 914 thousand).

12 Loans to customers

	30 June 2013 RUB'000 (Unaudited)	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000	31 December 2012 RUB'000
	Loans	Impairment allowance	Loans	Impairment allowance
Loans to corporate clients	196 798 293	(3 680 563)	155 540 928	(3 058 623)
Loans to individuals				
Auto loans	10 500 302	(140 110)	10 978 394	(56 800)
Mortgage loans	12 915 013	(252 111)	10 442 450	(219 648)
Consumer loans	42 483 607	(2 715 334)	28 971 476	(1 363 655)
Total loans to individuals	65 898 922	(3 107 555)	50 392 320	(1 640 103)
Gross loans to customers	262 697 215	(6 788 118)	205 933 248	(4 698 726)
Net loans to customers	255 909 097		201 234 522	

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 June 2013:

	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	257 500 191	(3 700 089)	253 800 102	1.4
- Overdue less than 31 days	1 295 368	(294 097)	1 001 271	22.7
- Overdue 31-60 days	456 321	(250 114)	206 207	54.8
- Overdue 61-90 days	562 147	(332 561)	229 586	59.2
- Overdue 91-180 days	1 071 725	(800 651)	271 074	74.7
- Overdue 181-360 days	1 119 009	(965 313)	153 696	86.3
- Overdue more than 360 days	692 454	(445 293)	247 161	64.3
Total loans to customers	262 697 215	(6 788 118)	255 909 097	2.6

The following table provides information on credit quality of the loan portfolio as at 31 December 2012:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Loans to customers				
- Not past due	202 820 574	(2 885 123)	199 935 451	1.4
- Overdue less than 31 days	683 080	(137 607)	545 473	20.1
- Overdue 31-60 days	261 210	(127 177)	134 033	48.7
- Overdue 61-90 days	201 221	(113 965)	87 256	56.6
- Overdue 91-180 days	528 310	(343 851)	184 459	65.1
- Overdue 181-360 days	678 840	(537 605)	141 235	79.2
- Overdue more than 360 days	760 013	(553 398)	206 615	72.8
Total loans to customers	205 933 248	(4 698 726)	201 234 522	2.3

As at 30 June 2013, the loan portfolio includes loans that have been restructured and would otherwise be past due or impaired in the amount of RUB 801 858 thousand (31 December 2012: RUB 225 145 thousand). Such restructuring activity is aimed at managing customer relationships and maximizing the quality of the loan portfolio. Restructured loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

The following table provides information on restructured loans as at 30 June 2013 and 31 December 2012:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Restructured loans				
- As at 30 June 2013 (unaudited)	801 858	(40 093)	761 765	5.0
- As at 31 December 2012	225 145	(11 257)	213 888	5.0

As at 30 June 2013, the gross amount of overdue loans with payments that are overdue at least one day totals RUB 5 197 024 thousand, which represents 2.0% of the loan portfolio (31 December 2012: RUB 3 112 674 thousand and 1.5%, respectively).

Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 2 883 188 thousand or 1.1% of the loan portfolio (31 December 2012: RUB 1 967 163 thousand and 1.0%, respectively).

NPLs together with restructured loans amount to RUB 3 685 046 thousand or 1.4% of the loan portfolio (31 December 2012: RUB 2 192 308 thousand and 1.1%, respectively).

As at 30 June 2013, the ratio of total impairment allowance to overdue loans equals 130.6%, the ratio of total impairment allowance to NPLs equals 235.4% and the ratio of total impairment allowance to NPLs together with restructured loans equals 184.2% (31 December 2012: 151.0%, 238.9% and 214.3%, respectively).

Movements in the loan impairment allowance for the six-month periods ended 30 June 2013 and 30 June 2012 are as follows:

	2013 RUB'000 (Unaudited)	2012 RUB'000 (Unaudited)
Balance at the beginning of the period	4 698 726	3 682 432
Net charge	2 736 158	1 023 174
Net write-offs	(646 766)	(298 774)
Balance at the end of the period	6 788 118	4 406 832

As at 30 June 2013, interest accrued on overdue loans amounts to RUB 553 940 thousand (31 December 2012: RUB 350 243 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 June 2013:

	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	196 332 113	(3 448 591)	192 883 522	1.8
- Overdue less than 31 days	79 386	(15 678)	63 708	19.7
- Overdue 31-60 days	29 780	(5 956)	23 824	20.0
- Overdue 61-90 days	171 308	(81 539)	89 769	47.6
- Overdue 91-180 days	85 564	(47 407)	38 157	55.4
- Overdue 181-360 days	100 142	(81 392)	18 750	81.3
- Overdue more than 360 days	-	-	-	-
Total loans to corporate clients	196 798 293	(3 680 563)	193 117 730	1.9

The following table provides information on credit quality of loans to corporate clients as at 31 December 2012:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Loans to corporate clients				
- Not past due	155 137 958	(2 739 712)	152 398 246	1.8
- Overdue less than 31 days	8 060	(1 105)	6 955	13.7
- Overdue 31-60 days	4 313	(1 220)	3 093	28.3
- Overdue 61-90 days	38 224	(16 958)	21 266	44.4
- Overdue 91-180 days	92 045	(56 689)	35 356	61.6
- Overdue 181-360 days	124 602	(107 414)	17 188	86.2
- Overdue more than 360 days	135 726	(135 525)	201	99.9
Total loans to corporate clients	155 540 928	(3 058 623)	152 482 305	2.0

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 past loss experience adjusted for recent changes in the economic environment for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management generally assumes a discount of 20-50 percent to its fair value, depending on type of collateral and market conditions.

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 30 June 2013 would increase/decrease by RUB 1 931 177 thousand (31 December 2012: RUB 1 524 823 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, receivables, guarantees and sureties, securities, promissory notes.

The following table provides information on collateral securing loans to corporate clients, net of impairment, by types of collateral as at 30 June 2013 and 31 December 2012:

	30 June 2013	31 December 2012
	RUB'000	RUB'000
	(Unaudited)	
Real estate	33 431 770	28 114 584
Goods in turnover	30 389 173	23 412 380
Securities	22 075 818	13 970 269
Claims for contract receivables	14 304 216	12 034 429
Equipment and motor vehicles	6 963 736	6 128 842
Guarantees by other banks	344 823	344 878
Bank's own debts	302 873	-
Corporate guarantees and no collateral	85 305 321	68 476 923
	193 117 730	152 482 305

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

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

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.

Collateral obtained

During the period ended 30 June 2013, the Group obtained certain assets by taking possession of collateral for loans to corporate clients. As at 30 June 2013, the carrying amount of such assets was RUB 32 779 thousand (31 December 2012: RUB 4 572 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 six-month periods ended 30 June 2013 and 30 June 2012 are as follows:

	2013 RUB'000 (Unaudited)	2012 RUB'000 (Unaudited)
Balance at the beginning of the period	3 058 623	2 624 407
Net charge	838 800	415 220
Net write-offs	(216 860)	(96 441)
Balance at the end of the period	3 680 563	2 943 186

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 30 June 2013:

	Gross loans RUB'000 (Unaudited)	Impairment allowance RUB'000 (Unaudited)	Net loans RUB'000 (Unaudited)	Impairment to gross loans % (Unaudited)
Auto loans				
- Not past due	10 213 500	(6 859)	10 206 641	0.1
- Overdue less than 31 days	72 707	(8 823)	63 884	12.1
- Overdue 31-60 days	28 033	(9 027)	19 006	32.2
- Overdue 61-90 days	21 450	(9 000)	12 450	42.0
- Overdue 91-180 days	78 079	(41 129)	36 950	52.7
- Overdue 181-360 days	71 660	(50 937)	20 723	71.1
- Overdue more than 360 days	14 873	(14 335)	538	96.4
Total auto loans	10 500 302	(140 110)	10 360 192	1.3
Mortgage loans				
- Not past due	12 203 916	(12 670)	12 191 246	0.1
- Overdue less than 31 days	76 564	(3 262)	73 302	4.3
- Overdue 31-60 days	16 751	(912)	15 839	5.4

CREDIT BANK OF MOSCOW (open joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the six-month period ended 30 June 2013

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
- Overdue 61-90 days	54 299	(8 853)	45 446	16.3
- Overdue 91-180 days	67 217	(11 508)	55 709	17.1
- Overdue 181-360 days	56 881	(17 696)	39 185	31.1
- Overdue more than 360 days	439 385	(197 210)	242 175	44.9
Total mortgage loans	12 915 013	(252 111)	12 662 902	2.0
Consumer loans				
- Not past due	38 750 662	(231 969)	38 518 693	0.6
- Overdue less than 31 days	1 066 711	(266 334)	800 377	25.0
- Overdue 31-60 days	381 757	(234 219)	147 538	61.4
- Overdue 61-90 days	315 090	(233 169)	81 921	74.0
- Overdue 91-180 days	840 865	(700 607)	140 258	83.3
- Overdue 181-360 days	890 326	(815 288)	75 038	91.6
- Overdue more than 360 days	238 196	(233 748)	4 448	98.1
Consumer loans	42 483 607	(2 715 334)	39 768 273	6.4
Total loans to individuals	65 898 922	(3 107 555)	62 791 367	4.7

The following table provides information on the credit quality of loans to individuals as at 31 December 2012:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Auto loans				
- Not past due	10 816 865	(3 883)	10 812 982	0.04
- Overdue less than 31 days	59 753	(4 250)	55 503	7.1
- Overdue 31-60 days	20 388	(4 415)	15 973	21.7
- Overdue 61-90 days	19 289	(5 814)	13 475	30.1
- Overdue 91-180 days	23 182	(9 822)	13 360	42.4
- Overdue 181-360 days	26 855	(17 298)	9 557	64.4
- Overdue more than 360 days	12 062	(11 318)	744	93.8
Total auto loans	10 978 394	(56 800)	10 921 594	0.5
Mortgage loans				
- Not past due	9 894 216	(10 195)	9 884 021	0.1
- Overdue less than 31 days	35 018	(792)	34 226	2.3
- Overdue 31-60 days	8 572	(738)	7 834	8.6
- Overdue 61-90 days	4 454	(582)	3 872	13.1
- Overdue 91-180 days	53 376	(9 265)	44 111	17.4
- Overdue 181-360 days	63 681	(10 847)	52 834	17.0
- Overdue more than 360 days	383 133	(187 229)	195 904	48.9
Total mortgage loans	10 442 450	(219 648)	10 222 802	2.1

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Consumer loans				
- Not past due	26 971 535	(131 333)	26 840 202	0.5
- Overdue less than 31 days	580 249	(131 460)	448 789	22.7
- Overdue 31-60 days	227 937	(120 804)	107 133	53.0
- Overdue 61-90 days	139 254	(90 611)	48 643	65.1
- Overdue 91-180 days	359 707	(268 075)	91 632	74.5
- Overdue 181-360 days	463 702	(402 046)	61 656	86.7
- Overdue more than 360 days	229 092	(219 326)	9 766	95.7
Consumer loans	28 971 476	(1 363 655)	27 607 821	4.7
Total loans to individuals	50 392 320	(1 640 103)	48 752 217	3.3

Management estimates loan impairment based on historical loss experience for these types of loans using historical loss migration patterns for the past twenty four months and the fair value of collateral. The significant assumptions used by management in determining the impairment losses for loans to individuals include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months
- in respect of mortgage loans, a delay of 18 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 20% to the originally appraised value if the property pledged is sold through court procedures. For impaired loans where the fair value of collateral is equal to at least 150% of the outstanding mortgage loan balance, management removes the impairment allowance that would otherwise result from the migration analysis.

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 30 June 2013 would increase/decrease by RUB 627 914 thousand (31 December 2012: RUB 487 522 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 consumer loans are not secured.

Management does not estimate loan impairment based on analysis of fair value of collateral. However once a loan becomes impaired, management considers the fair value of collateral when assessing the impairment allowance for each individual loan.

As at 30 June 2013 impaired mortgage loans in the amount of RUB 711 097 thousand are secured by collateral with a fair value of RUB 598 435 thousand (31 December 2012: RUB 548 234 thousand and RUB 451 018 thousand, respectively). As at 30 June 2013, the Group estimates the fair value of private real estate undergoing foreclosure to be RUB 109 406 thousand (31 December 2012: RUB 137 708 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the six-month period ended 30 June 2013 are as follows:

	Auto loans	Mortgage loans	Consumer loans	Total
	RUB'000	RUB'000	RUB'000	RUB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at the beginning of the period	56 800	219 648	1 363 655	1 640 103
Net charge	99 843	32 463	1 765 052	1 897 358
Net write-offs	(16 533)	-	(413 373)	(429 906)
Balance at the end of the period	140 110	252 111	2 715 334	3 107 555

Movements in the loan impairment allowance by classes of loans to individuals for the six-month period ended 30 June 2012 are as follows:

	Auto loans	Mortgage loans	Consumer loans	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Balance at the beginning of the period	23 778	261 229	773 018	1 058 025
Net charge	19 356	11 728	576 870	607 954
Net write-offs	(8 119)	-	(194 214)	(202 333)
Balance at the end of the period	35 015	272 957	1 155 674	1 463 646

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:

	30 June 2013	31 December 2012
	RUB'000	RUB'000
	(Unaudited)	
Loans to individuals	65 898 922	50 392 320
Consumer electronics, appliances and computers	31 107 125	25 737 636
Food and farm products	22 101 250	17 920 338
Residential and commercial construction and development	19 796 820	17 411 616
Automotive, motorcycles and spare parts	14 335 807	5 264 206
Services	12 900 984	9 708 122
Clothing, shoes, textiles and sporting goods	12 556 381	10 189 443
Metallurgical	10 636 060	8 071 462
Construction and decorative materials, furniture	9 527 996	10 608 236
Oil and industrial chemicals	9 431 008	4 083 585
Industrial equipment and machinery	8 711 604	9 714 082
Property rental	8 048 210	5 622 270
Pharmaceutical and medical products	7 776 536	6 859 278
Paper, stationery and packaging products	6 743 158	5 233 871
Financial	5 023 858	2 946 641
Consumer chemicals, perfumes and hygiene products	4 456 013	4 250 319
Industrial and infrastructure construction	3 899 027	2 660 923
Electric utility	3 774 793	1 117 228
Equipment leasing	2 146 639	2 649 336
Gardening and pet products	960 709	1 032 346
Books, video, print and copy	504 169	531 924
Products for home, gifts, jewelry and business accessories	367 046	404 207
Telecommunications	256 803	392 750
Other	1 736 297	3 131 109
	262 697 215	205 933 248
Impairment allowance	(6 788 118)	(4 698 726)
	255 909 097	201 234 522

Loan maturities

The maturity of the loan portfolio is presented in note 23.

13 Property and equipment

The movement in property and equipment for the six-month period ended 30 June 2013 is presented in the table below:

RUB'000 (Unaudited)	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2013	4 755 123	369 460	341 639	1 321 655	62 716	6 850 593
Additions	5 535	45 857	19 932	104 308	-	175 632
Disposals	-	(10 555)	(1 084)	(19 241)	(4 006)	(34 886)
At 30 June 2013	4 760 658	404 762	360 487	1 406 722	58 710	6 991 339
Accumulated depreciation						
At 1 January 2013	-	112 198	137 930	520 845	-	770 973
Depreciation charge	50 297	37 547	37 789	101 872	-	227 505
Disposals	-	(7 615)	(517)	(14 124)	-	(22 256)
At 30 June 2013	50 297	142 130	175 202	608 593	-	976 222
Carrying value						
At 30 June 2013	4 710 361	262 632	185 285	798 129	58 710	6 015 117

The movement in property and equipment for the six-month period ended 30 June 2012 is presented in the table below:

RUB'000 (Unaudited)	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2012	2 230 452	255 891	259 371	1 113 697	1 757 962	5 617 373
Additions	6 732	48 601	20 337	119 797	302 310	497 777
Transfers	1 934 311	-	-	-	(1 934 311)	-
Disposals	-	(12 953)	(3 579)	(23 481)	-	(40 013)
At 30 June 2012	4 171 495	291 539	276 129	1 210 013	125 961	6 075 137
Accumulated depreciation						
At 1 January 2012	141 348	68 232	78 910	358 951	-	647 441
Depreciation charge	23 529	26 269	28 053	88 559	-	166 410
Disposals	-	(12 540)	(3 084)	(10 402)	-	(26 026)
At 30 June 2012	164 877	81 961	103 879	437 108	-	787 825
Carrying value						
At 30 June 2012	4 006 618	209 578	172 250	772 905	125 961	5 287 312

14 Deposits by credit institutions

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Demand deposits	219 909	949 181
Term deposits	21 552 004	23 377 902
Syndicated loans	10 892 993	10 231 524
Subordinated debt	672 508	625 126
Total deposits by credit institutions	33 337 414	35 183 733

Syndicated loans represent loans denominated in USD with effective interest rates ranging from 4.7% to 5.1% (31 December 2012: from 4.8% to 5.2%) and maturity from 2013 to 2015 (31 December 2012: from 2013 to 2015).

Subordinated debt represents loans denominated in USD with an effective interest rate of 8.6% (31 December 2012: 8.9%) and maturity from 2016 to 2017 (31 December 2012: from 2016 to 2017).

The Group is required to meet certain covenants attached to syndicated loans, subordinated debt and bilateral loans from the IFC, EBRD and the Black Sea Trade And Development Bank. As at 30 June 2013 and 31 December 2012 the Group fully meets all covenants of the loan agreements.

Concentrations of deposits by credit institutions

As at 30 June 2013 the Group has one counterparty (31 December 2012: one counterparty) whose deposit balance exceed 10% of deposits by credit institutions. The gross value of this balance as at 30 June 2013 is RUB 7 580 890 thousand (31 December 2012: RUB 6 482 959 thousand).

15 Deposits by customers

		30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Corporate customers	Demand	21 336 811	24 212 584
	Term	54 763 687	52 344 888
	Subordinated	1 049 121	2 219 428
	Term notes	1 960 965	3 225 262
Total corporate customers		79 110 584	82 002 162
Individuals	Demand	9 082 878	7 285 758
	Term	114 210 465	99 726 184
Total individuals		123 293 343	107 011 942
Total deposits by customers		202 403 927	189 014 104

16 Debt securities issued

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Promissory notes issued at nominal value	6 992 245	8 420 770
Accrued interest	8 004	18 723
Unamortized discount on promissory notes	(237 728)	(283 601)
	6 762 521	8 155 892
Bonds issued	67 648 076	31 857 898
	74 410 597	40 013 790

RUB denominated subordinated bond issue 12 (30 June 2013: RUB 2 082 560 thousand) was issued in February 2013 with a fixed coupon rate of 12.25% until the final maturity date of 22 August 2018. Coupon is paid semi-annually.

USD denominated Loan Participation Notes (30 June 2013: RUB 16 295 835 thousand) were issued in February 2013 with a fixed coupon rate of 7.7% at par until the final maturity date of 1 February 2018.

Subordinated USD denominated Loan Participation Notes (30 June 2013: RUB 16 440 468 thousand) were issued in May 2013 with a fixed coupon rate of 8.7% at par until the final maturity date of 13 November 2018.

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 12 677 832 952 shares (31 December 2012: 12 677 832 952 shares) with par value of 1 RUB per share. In addition, at 30 June 2013 the Bank has 23 598 325 056 authorised but unissued ordinary shares with an aggregate nominal value of RUB 23 598 325 056. The total hyperinflation adjustment related to equity as at 31 December 2002, was RUB 861 930 thousand.

18 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	30 June 2013	31 December 2012
	RUB'000	RUB'000
	(Unaudited)	
Guarantees and letters of credit	40 318 096	40 586 746
Undrawn loan commitments	3 791 984	1 968 320
Other contingent liabilities	223 665	216 175
	44 333 745	42 771 241

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

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 is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who 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 longer. Recent events within 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. They 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 interval or profitability range. Given the short period these new transfer pricing rules have been effective, the impact of any such challenge can not be reliably estimated; however it may be significant to the statement of financial position and/or overall operations of the Bank.

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 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013 (Unaudited)		31 December 2012	
	Amount RUB'000	Average effective interest rate	Amount RUB'000	Average effective interest rate
Loans to customers				
Majority shareholder	-	-	350 110	15.0%
Under control of majority shareholder	338 056	13.0%	1 006	16.0%
Management	46 434	10.5%	88 892	11.2%
Total loans	384 490		440 008	
Deposits by customers				
Majority shareholder	583 539	8.4%	320 310	8.6%
Parent company	302 519	8.2%	265 752	8.0%
Under control of majority shareholder	1 169 710	7.6%	2 342 880	6.7%
Management	140 328	7.3%	89 066	6.7%
Total deposits	2 196 096		3 018 008	

Amounts included in the consolidated interim condensed statement of profit and loss and other comprehensive income for the six-month periods ended 30 June 2013 and 30 June 2012 in relation to transactions with related parties are as follows:

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Interest income on loans to customers		
Majority shareholder	8 926	1 981
Under control of majority shareholder	9 404	5 013
Management	4 882	2 940
Total interest income on loans to customers	23 212	9 934
Interest expense on deposits by customers		
Majority shareholder	18 347	4 957
Parent company	14 735	9 641
Under control of majority shareholder	32 994	23 844
Management	4 228	2 507
Total interest expense on deposits by customers	70 304	40 949

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the six-month periods ended 30 June 2013 and 30 June 2012 (refer to note 6) is as follows:

	Six-Month Period Ended 30 June 2013 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2012 RUB'000 (Unaudited)
Members of the Supervisory Board	57 983	13 529
Members of the Management Board	111 659	72 831
	169 642	86 360

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 Central Bank of the Russian Federation, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 30 June 2013, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the six-month period ended 30 June 2013 and the year ended 31 December 2012.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 30 June 2013 and 31 December 2012:

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Tier 1 capital		
Share capital and additional paid-in capital	22 559 058	22 559 058
Retained earnings	19 426 728	15 601 246
Total tier 1 capital	41 985 786	38 160 304
Tier 2 capital		
Revaluation surplus for buildings	1 115 928	1 115 928
Revaluation reserve for investments available-for-sale	(67 515)	16 061
Subordinated loans		
Subordinated loans from Black Sea Trade And Development Bank	457 926	485 963
Subordinated loans from Wellcreek Corporation	1 049 121	2 217 635
Subordinated bonds	5 000 000	3 000 000
Subordinated loan participation notes	16 354 500	-
Less limitation of subordinated capital to 50% of tier 1	(1 868 654)	-
Total tier 2 capital	22 041 306	6 835 587
Total capital	64 027 092	44 995 891

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
Risk-weighted assets		
Banking book	294 685 745	245 565 378
Trading book	39 672 758	40 067 912
Total risk weighted assets	334 358 503	285 633 290
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	19.1	15.8
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	12.6	13.4

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants in borrowing agreements. The Group complied with all externally imposed capital requirements during the six-month period ended 30 June 2013 and the year ended 31 December 2012.

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 consumer loans, 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 collection and other cash operations: comprise all operations connected with cash, cash collection, counting 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.

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

	30 June 2013 RUB'000 (Unaudited)	31 December 2012 RUB'000
ASSETS		
Corporate banking	193 295 634	153 576 987
Retail banking	64 919 068	50 203 307
Treasury	85 911 356	86 282 788
Cash operations	7 916 658	10 829 487
Unallocated assets	7 679 685	7 834 816
Total assets	359 722 401	308 727 385
LIABILITIES		
Corporate banking	79 110 584	82 002 162
Retail banking	123 293 343	107 011 942
Treasury	48 328 222	46 927 405
International business	59 419 789	28 270 118
Unallocated liabilities	6 536 264	5 223 465
Total liabilities	316 688 202	269 435 092

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Segment information for the main reportable segments for the six-month period ended 30 June 2013 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	11 517 248	4 805 660	2 508 656	-	-	-	18 831 564
Fee and commission income	899 726	1 529 351	10 344	-	641 064	-	3 080 485
Net gain on securities	-	-	221 092	-	-	-	221 092
Net foreign exchange gains	151 429	25 245	126 138	-	-	-	302 812
Other operating income	210 395	124 728	13 721	-	-	-	348 844
(Expenses) revenue from other segments	(5 459 391)	3 184 656	124 855	2 074 411	75 469	-	-
Revenue	7 319 407	9 669 640	3 004 806	2 074 411	716 533	-	22 784 797
Impairment losses on loans	(838 800)	(1 897 358)	-	-	-	-	(2 736 158)
Interest expense	(2 318 323)	(5 376 697)	(2 195 054)	(1 210 813)	-	-	(11 100 887)
Fee and commission expense	(185 313)	(65 540)	(7 367)	(11 456)	(297)	-	(269 973)
General administrative and other expenses	(377 917)	(1 685 905)	(35 338)	(15 969)	(567 834)	(1 176 176)	(3 859 139)
Expense	(3 720 353)	(9 025 500)	(2 237 759)	(1 238 238)	(568 131)	(1 176 176)	(17 966 157)
Segment result	3 599 054	644 140	767 047	836 173	148 402	(1 176 176)	4 818 640

Segment information for the main reportable segments for the six-month period ended 30 June 2012 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	8 739 527	3 067 811	1 218 855	-	-	-	13 026 193
Fee and commission income	808 448	533 162	2 369	-	472 584	-	1 816 563
Net gain on securities	-	-	4 567	-	-	-	4 567
Net foreign exchange losses	(32 231)	(8 803)	(25 574)	-	-	-	(66 608)
Other operating income	25 993	107 658	13 800	-	-	-	147 451
(Expenses) revenue from other segments	(3 022 086)	2 770 390	(841 792)	1 043 505	49 983	-	-
Revenue	6 519 651	6 470 218	372 225	1 043 505	522 567	-	14 928 166
Impairment losses on loans	(415 221)	(607 953)	-	-	-	-	(1 023 174)
Interest expense	(1 643 974)	(3 892 304)	(1 443 519)	(523 805)	-	-	(7 503 602)
Fee and commission expense	(2 298)	(23 526)	(57 828)	(94 873)	(234)	-	(178 759)
General administrative and other expenses	(320 550)	(1 539 533)	(114 476)	(12 874)	(454 371)	(1 086 020)	(3 527 824)
Expense	(2 382 043)	(6 063 316)	(1 615 823)	(631 552)	(454 605)	(1 086 020)	(12 233 359)
Segment result	4 137 608	406 902	1 243 598	411 953	67 962	(1 086 020)	2 694 807

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 Risk management

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Management believes term deposits from individuals to be a stable source of funding based on the past experience, thus classifying them in accordance with their stated maturity dates.

In accordance with terms of issuance of bonds and promissory notes the holders are entitled to demand early redemption of bonds and promissory notes at their nominal value at certain dates. As at 30 June 2013 and 31 December 2012 management believes debt securities issued to be a stable source of funding based on the past experience, thus classifying them in accordance with their stated maturity dates.

Securities included in financial instruments at fair value through profit or loss and available-for-sale securities that qualify as collateral for borrowing from the Central Bank of the Russian Federation are shown in the category "Less than 1 month" as management believes they are liquid assets which can be sold quickly in response to liquidity needs, if necessary.

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30 June 2013 (Unaudited)	Less than 1 month RUB'000	1 to 3 months RUB'000	3 to 6 months RUB'000	6 to 9 months RUB'000	9 months to 1 year RUB'000	1 to 2 years RUB'000	2 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Overdue RUB'000	Total RUB'000
ASSETS												
Cash and cash equivalents	46 979 040	-	-	-	-	-	-	-	-	-	-	46 979 040
Obligatory reserves with the Central Bank of the Russian Federation	-	-	-	-	-	-	-	-	-	3 488 035	-	3 488 035
Due from credit institutions	2 289 630	1 770 668	638 452	114 482	103 033	-	-	-	-	-	-	4 916 265
Financial instruments at fair value through profit or loss	22 472 018	2 080	1 790 052	324 916	-	585 346	382 739	545 849	-	364 519	-	26 467 519
Available-for-sale securities	5 618 759	3 206 632	3 992 219	893 437	-	-	290 395	-	272 429	8 890	-	14 282 761
Loans to customers	23 330 556	46 421 462	42 619 442	25 132 805	19 429 166	30 056 879	18 041 806	32 613 224	16 154 762	-	2 108 995	255 909 097
Property and equipment	-	-	-	-	-	-	-	-	-	6 015 117	-	6 015 117
Other assets	901 628	133 631	140 074	94 929	51 758	265 431	25 705	51 411	-	-	-	1 664 567
	<u>101 591 631</u>	<u>51 534 473</u>	<u>49 180 239</u>	<u>26 560 569</u>	<u>19 583 957</u>	<u>30 907 656</u>	<u>18 740 645</u>	<u>33 210 484</u>	<u>16 427 191</u>	<u>9 876 561</u>	<u>2 108 995</u>	<u>359 722 401</u>
LIABILITIES												
Deposits by credit institutions	1 658 256	6 458 500	15 373 257	1 772 008	2 111 130	2 265 514	1 408 638	1 450 240	839 871	-	-	33 337 414
Deposits by customers	58 494 640	26 790 970	42 548 423	18 542 677	14 628 613	13 844 811	23 411 965	3 092 707	1 049 121	-	-	202 403 927
Debt securities issued	2 496 844	1 106 251	523 523	3 903 536	10 751 570	12 629 209	5 166 322	19 310 314	18 523 028	-	-	74 410 597
Income tax liability	-	144 145	-	-	-	-	-	-	-	2 991 452	-	3 135 597
Other liabilities	1 559 641	518 430	426 709	182 857	124 736	100	-	-	-	588 194	-	3 400 667
	<u>64 209 381</u>	<u>35 018 296</u>	<u>58 871 912</u>	<u>24 401 078</u>	<u>27 616 049</u>	<u>28 739 634</u>	<u>29 986 925</u>	<u>23 853 261</u>	<u>20 412 020</u>	<u>3 579 646</u>	<u>-</u>	<u>316 688 202</u>
Net position	<u>37 382 250</u>	<u>16 516 177</u>	<u>(9 691 673)</u>	<u>2 159 491</u>	<u>(8 032 092)</u>	<u>2 168 022</u>	<u>(11 246 280)</u>	<u>9 357 223</u>	<u>(3 984 829)</u>	<u>6 296 915</u>	<u>2 108 995</u>	<u>43 034 199</u>
Accumulated gap	<u>37 382 250</u>	<u>53 898 427</u>	<u>44 206 754</u>	<u>46 366 245</u>	<u>38 334 153</u>	<u>40 502 175</u>	<u>29 255 895</u>	<u>38 613 118</u>	<u>34 628 289</u>	<u>40 925 204</u>	<u>43 034 199</u>	

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31 December 2012	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	No maturity	Overdue	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
ASSETS												
Cash and cash equivalents	47 459 075	-	-	-	-	-	-	-	-	-	-	47 459 075
Obligatory reserves with the Central Bank of the Russian Federation	-	-	-	-	-	-	-	-	-	2 545 772	-	2 545 772
Due from credit institutions	2 536 527	1 508 415	1 502 705	3 370 390	602 754	3 000 000	-	-	-	-	-	12 520 791
Financial instruments at fair value through profit or loss	25 438 516	-	401 448	148 332	1 715 575	735 758	467 427	2 677 065	100 678	17	-	31 684 816
Available-for-sale securities	2 893 914	1 576 703	288 011	51 950	440 400	62 032	108 578	-	-	26 006	-	5 447 594
Loans to customers	13 149 864	45 218 291	28 329 898	18 037 254	17 417 652	27 448 151	19 511 111	20 604 008	10 219 222	-	1 299 071	201 234 522
Property and equipment	-	-	-	-	-	-	-	-	-	6 079 620	-	6 079 620
Other assets	979 047	144 178	185 595	214 898	231 477	-	-	-	-	-	-	1 755 195
	92 456 943	48 447 587	30 707 657	21 822 824	20 407 858	31 245 941	20 087 116	23 281 073	10 319 900	8 651 415	1 299 071	308 727 385
LIABILITIES												
Deposits by credit institutions	2 242 563	2 660 566	7 060 489	3 541 251	13 333 972	2 034 905	2 413 372	1 691 156	205 459	-	-	35 183 733
Deposits by customers	65 679 680	23 468 706	21 471 840	22 263 078	27 278 714	10 316 432	13 582 461	4 033 344	919 849	-	-	189 014 104
Debt securities issued	1 081 497	2 834 560	1 256 736	1 939 099	460 474	18 513 007	10 913 417	-	3 015 000	-	-	40 013 790
Income tax liability	-	125 817	-	-	-	-	-	-	-	2 608 594	-	2 734 411
Other liabilities	1 030 522	298 492	120 954	120 954	120 956	-	-	-	-	797 176	-	2 489 054
	70 034 262	29 388 141	29 910 019	27 864 382	41 194 116	30 864 344	26 909 250	5 724 500	4 140 308	3 405 770	-	269 435 092
Net position	22 422 681	19 059 446	797 638	(6 041 558)	(20 786 258)	381 597	(6 822 134)	17 556 573	6 179 592	5 245 645	1 299 071	39 292 293
Accumulated gap	22 422 681	41 482 127	42 279 765	36 238 207	15 451 949	15 833 546	9 011 412	26 567 985	32 747 577	37 993 222	39 292 293	

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Supervisory Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The exposure of assets and liabilities to foreign currency exchange rate risk is as follows:

	30 June 2013				31 December 2012			
	USD RUB'000 (Unaudited)	RUB RUB'000 (Unaudited)	Other currencies RUB'000 (Unaudited)	Total RUB'000 (Unaudited)	USD RUB'000	RUB RUB'000	Other currencies RUB'000	Total RUB'000
ASSETS								
Cash and cash equivalents	18 109 106	26 376 124	2 493 810	46 979 040	6 526 493	36 895 421	4 037 161	47 459 075
Obligatory reserves with the Central Bank of the Russian Federation	-	3 488 035	-	3 488 035	-	2 545 772	-	2 545 772
Due from credit institutions	3 095 383	1 820 882	-	4 916 265	3 027 050	9 493 741	-	12 520 791
Financial instruments at fair value through profit or loss	1 640 767	24 826 748	4	26 467 519	1 835 687	29 849 129	-	31 684 816
Available-for-sale securities	3 258 808	10 191 382	832 571	14 282 761	2 234 037	3 213 557	-	5 447 594
Loans to customers	44 457 735	203 906 255	7 545 107	255 909 097	28 419 960	166 113 500	6 701 062	201 234 522
Property and equipment	-	6 015 117	-	6 015 117	-	6 079 620	-	6 079 620
Other assets	33 814	1 586 221	44 532	1 664 567	32 264	1 688 149	34 782	1 755 195
	70 595 613	278 210 764	10 916 024	359 722 401	42 075 491	255 878 889	10 773 005	308 727 385
LIABILITIES								
Deposits by credit institutions	19 701 096	9 894 757	3 741 561	33 337 414	21 701 901	10 459 968	3 021 864	35 183 733
Deposits by customers	15 424 962	179 659 738	7 319 227	202 403 927	14 271 818	167 087 563	7 654 723	189 014 104
Debt securities issued	39 098 526	35 300 707	11 364	74 410 597	6 043 178	33 959 910	10 702	40 013 790
Income tax liability	-	3 135 597	-	3 135 597	-	2 734 411	-	2 734 411
Other liabilities	72 342	3 238 978	89 347	3 400 667	171 752	2 178 774	138 528	2 489 054
	74 296 926	231 229 777	11 161 499	316 688 202	42 188 649	216 420 626	10 825 817	269 435 092
Net position before hedging	(3 701 313)	46 980 987	(245 475)	43 034 199	(113 158)	39 458 263	(52 812)	39 292 293
Derivative contracts	3 263 794	(4 287 094)	1 023 300	-	786 652	(1 558 528)	771 876	-
Net position	(211 426)	42 467 532	778 093	43 034 199	673 494	37 899 735	719 064	39 292 293

Geographical risk

The geographical risk is the risk due to political economic or social instability in the respective country.

The geographical concentration of financial assets and liabilities as at 30 June 2013 and 31 December 2012 is disclosed in the table below:

	30 June 2012				31 December 2012			
	Russia RUB'000 (Unaudited)	OECD RUB'000 (Unaudited)	Other non-OECD RUB'000 (Unaudited)	Total RUB'000 (Unaudited)	Russia RUB'000	OECD RUB'000	Other non- OECD RUB'000	Total RUB'000
ASSETS								
Cash and cash equivalents	29 632 768	13 686 116	3 660 156	46 979 040	37 194 041	10 261 265	3 769	47 459 075
Obligatory reserves with the Central Bank of the Russian Federation	3 488 035	-	-	3 488 035	2 545 772	-	-	2 545 772
Due from credit institutions	3 145 596	821 814	948 855	4 916 265	11 012 376	763 114	745 301	12 520 791
Financial instruments at fair value through profit or loss	26 313 443	154 076	-	26 467 519	31 532 897	151 919	-	31 684 816
Available-for-sale securities	14 282 761	-	-	14 282 761	5 447 594	-	-	5 447 594
Loans to customers	248 519 802	1 687 889	5 701 406	255 909 097	196 582 729	2 362 253	2 289 540	201 234 522
	325 382 405	16 349 895	10 310 417	352 042 717	284 315 409	13 538 551	3 038 610	300 892 570
LIABILITIES								
Deposits by credit institutions	12 582 106	20 738 440	16 868	33 337 414	12 984 941	22 198 792	-	35 183 733
Deposits by customers	200 266 672	85 168	2 052 087	202 403 927	185 721 020	81 319	3 211 765	189 014 104
Debt securities issued	47 738 440	19 958 836	6 713 321	74 410 597	37 350 929	2 273 174	389 687	40 013 790
	260 587 218	40 782 444	8 782 276	310 151 938	236 056 890	24 553 285	3 601 452	264 211 627
Net position	64 795 187	(24 432 549)	1 528 141	41 890 779	48 258 519	(11 014 734)	(562 842)	36 680 943

24 Fair value hierarchy of financial instruments

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 settlement of liabilities.

The estimated value of the financial instruments at fair value through profit or loss and available-for-sale securities is based on quoted market prices at the reporting date without any deduction for transaction costs.

Estimated fair value of all other financial instruments is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. Management believes that the fair value of all other financial instruments does not differ significantly from their carrying value.

The Group measures fair values for financial instruments recorded on 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 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 30 June 2013 and 31 December 2012:

	Level 1	Level 2	Total
	RUB'000	RUB'000	RUB'000
30 June 2013 (unaudited)			
Financial assets at fair value through profit or loss			
Government, municipal and corporate bonds	25 875 772	228 540	26 104 312
Derivative financial instruments	-	363 197	363 197
Equity investments	10	-	10
Total	25 875 782	591 737	26 467 519
Available-for-sale securities			
Corporate bonds	3 309 546	-	3 309 546
Promissory notes	-	10 964 325	10 964 325
Total	3 309 546	10 964 325	14 273 871

*Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the six-month period ended 30 June 2013*

	Level 1	Level 2	Total
	RUB'000	RUB'000	RUB'000
31 December 2012			
Financial assets at fair value through profit or loss			
Government, municipal and corporate bonds	31 425 713	240 260	31 665 973
Derivative financial instruments	-	18 826	18 826
Equity investments	17	-	17
Total	31 425 730	259 086	31 684 816
Available-for-sale securities			
Corporate bonds	3 007 896	108 578	3 116 474
Promissory notes	-	2 305 114	2 305 114
Total	3 007 896	2 413 692	5 421 588

For financial instruments included in Level 2 valuation techniques include comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include foreign currency exchange rates.

The fair value of unquoted equity securities available-for-sale with a carrying value of RUB 8 890 thousand (31 December 2012: RUB 26 006 thousand) cannot be determined.

During six-month period ended 30 June 2013 there were no transfers of financial instruments between Level 1 and Level 2.

As at 30 June 2013 and 31 December 2012 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).

25 Events subsequent to the reporting date

In July 2013 the Bank paid out the sixth coupon in the amount of RUB 102 220 000 or RUB 51.11 per bond on domestic bonds series 07. The issue was originally placed on 20 July 2010 in the amount of RUB 2 billion with a maturity of 5 years.

In July 2013 the Bank announced a decision to increase its share capital by placement of 1 789 928 783 additional ordinary registered shares with par value of 1 RUB per share by way of closed subscription among current beneficiaries of the Bank. The purchase of the new shares will be partly financed by repayment of the subordinated debt to the majority shareholder. This subordinated debt was fully repaid in August 2013.

Chairman of the Management Board

Acting Chief Accountant



Vladimir A. Chubar

Ekaterina V. Toloka