CREDIT BANK OF MOSCOW
(open joint-stock company)

Consolidated Financial Statements
for the year ended 31 December 2012

Contents

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Auditors' Report

To the Shareholders and Supervisory Board of Credit Bank of Moscow (open joint-stock company)

We have audited the accompanying consolidated financial statements of Credit Bank of Moscow (open joint-stock company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Credit Bank of Moscow (open joint-stock company).

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

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

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

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

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

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

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

Opinion

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

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

ZAO KPMG

29 March 2013

Moscow, Russian Federation

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

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

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

Commitments and Contingencies 21-23

Chairman of the Management Board Vladimir A. Chubar

Chief Accountant Svetlana V. Sass

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

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

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

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

Chairman of the Management Board — Vladimir A. Chubar

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

	Share capital RUB'000	Additional paid-in capital RUB'000	Revaluation surplus for buildings RUB'000	Revaluation reserve for available-for-sale securities RUB'000	Retained earnings RUB'000	Total equity RUB'000
1 January 2011	**7 138 088**	**162 686**	**500 424**	**28 067**	**5 937 830**	**13 767 095**
Total comprehensive income for the period	-	-	-	(81 084)	3 885 534	**3 804 450**
Transactions with owners, recorded directly in equity						
Shares issued	4 500 000	-	-	-	-	**4 500 000**
Contribution from the majority shareholder (net of deferred tax of RUB 884 090 thousand) (note 20)	-	3 536 361	-	-	-	**3 536 361**
Total transactions with owners, recorded directly in equity	**4 500 000**	**3 536 361**	**-**	**-**	**-**	**8 036 361**
31 December 2011	**11 638 088**	**3 699 047**	**500 424**	**(53 017)**	**9 823 364**	**25 607 906**
Total comprehensive income for the period	-	-	615 504	69 078	5 777 882	**6 462 464**
Transactions with owners, recorded directly in equity						
Shares issued	1 901 675	3 860 400	-	-	-	**5 762 075**
Contribution from the majority shareholder (net of deferred tax of RUB 364 962 thousand) (note 20)	-	1 459 848	-	-	-	**1 459 848**
Total transactions with owners, recorded directly in equity	**1 901 675**	**5 320 248**	**-**	**-**	**-**	**7 221 923**
31 December 2012	**13 539 763**	**9 019 295**	**1 115 928**	**16 061**	**15 601 246**	**39 292 293**

Chairman of the Management Board Vladimir A. Chubar

Chief Accountant Svetlana V. Sass

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

1 Background

Principal activities

These consolidated 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, granted on 20 January 2000. 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, 694 ATMs and 3 906 payment terminals.

The principal subsidiaries of the Group are as follows:

				Degree of control, %	
Name	**Date of incorporation**	**Country of incorporation**	**Principal activities**	**31 December 2012**	**31 December 2011**
CBOM Finance p.l.c.	17 August 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 September 2005	Russia	Finance leasing	100%	100%

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 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

On 24 August 2012 there was an additional share issue. As a result the stake of Concern Rossium, LLC, former sole shareholder, reduced to 85.00%, and European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) each acquired 7.50% of the total number of the Bank's outstanding voting shares. In December 2012 the IFC transferred 583.8 million shares (4.61% of the Bank's charter capital) to IFC Russian Bank Capitalization Fund, LP by transferring the shares to RBOF Holding Company I Ltd., a wholly-owned subsidiary of IFC Russian Bank Capitalization Fund, LP.

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

The Bank's shareholders as at 31 December 2012 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%

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

Supervisory Board	
Sandy Vaci	Chairman
Richard Glasspool	Member
Genadi Lewinski	Member
Andrew Gazitua	Member
Mustafa Boran	Member
William Owens	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 25.

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 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 financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial 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 financial statements.

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

Use of estimates and judgments

The preparation of consolidated 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 13 in respect of loan impairment estimates.

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied by the Group entities to all periods presented in these consolidated financial statements. Future changes in accounting policies are described at the end of this note.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities

The Bank established a special purpose entity (SPE) for execution of borrowing transactions. The Bank does not have any direct or indirect shareholdings in this entity. However, the SPE is established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to its operations and net assets are presently attributable to the Bank via a number of agreements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group includes cash and nostro accounts with the Central Bank of the Russian Federation, and due from credit institutions with maturity of less than one month in cash and cash equivalents. The minimum reserve deposit with the Central Bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method

- held-to-maturity investments which are measured at amortized cost using the effective interest method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits by credit institutions. The difference between the sale and repurchase prices represents interest expense and is recognized in the profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within due from credit institutions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised as other comprehensive income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	50
Furniture and other property	6
Computers and office equipment	4
Vehicles	5

When a building is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, typically between 1 and 5.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the profit or loss and cannot be reversed.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably. Financial guarantee liabilities and allowance for credit related commitments are included in other liabilities.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the Bank is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service has been provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment, and assess its performance, and for which discrete financial information is available.

Comparative information

The presentation of certain captions relating to derivative financial instruments, fee and commission income and foreign exchange gains (losses) was changed as at 31 December 2012 in comparison with 31 December 2011 to better present the nature of the underlying transactions. Comparative information is reclassified to conform to changes in presentation in the current year. The effect of this change in presentation is as follows:

	2011 as previously reported RUB'000	**2011 as currently reported RUB'000**
Reclassification of derivative financial instruments from statement of financial position caption "Other assets" to "Financial instruments at fair value through profit or loss"		
Financial instruments at fair value through profit or loss	22 783 760	22 868 251
Other assets	1 572 561	1 488 070

	2011 as previously reported RUB'000	**2011 as currently reported RUB'000**
Reclassification of foreign exchange operations related fees from statement of comprehensive income caption "Foreign exchange (losses) gains, net" to "Fee and commission income"		
Fee and commission income	2 718 563	2 936 928
Foreign exchange (losses) gains, net	473 386	255 021

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2012, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of new standards on its financial position or performance.

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, 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. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains 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. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces 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. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	31 December 2012 RUB'000	31 December 2011 RUB'000
Interest income		
Loans to customers	24 742 808	17 790 664
Financial instruments at fair value through profit or loss and available-for-sale securities	2 968 379	2 892 224
Due from credit institutions and the Central Bank of the Russian Federation	755 144	297 976
	28 466 331	**20 980 864**
Interest expense		
Deposits by customers	(11 600 160)	(8 249 337)
Debt securities issued	(2 970 572)	(2 717 073)
Deposits by credit institutions and the Central Bank of the Russian Federation	(1 654 236)	(1 290 792)
	(16 224 968)	**(12 257 202)**
Net interest income	**12 241 363**	**8 723 662**

5 Fee and commission income

	31 December 2012 RUB'000	31 December 2011 RUB'000
Cash collection delivery	1 003 921	750 537
Settlements and wire transfers	852 401	764 428
Insurance contracts processing	770 246	213 063
Guarantees and letters of credit	739 994	533 983
Plastic cards	354 122	273 704
Currency exchange commission	176 985	218 365
Other cash operations	132 861	104 558
Other	75 691	78 290
Fee and commission income	**4 106 221**	**2 936 928**

6 Salaries, employment benefits and administrative expenses

	31 December 2012 RUB'000	31 December 2011 RUB'000
Salaries	2 843 875	1 701 338
Social security costs	636 429	402 778
Other	33 592	22 002
Salaries and employment benefits	**3 513 896**	**2 126 118**

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Occupancy	848 172	580 825
Advertising and business development	507 380	413 006
Operating taxes	453 733	368 852
Security	211 153	159 485
Property maintenance	199 645	147 781
Transport	59 210	42 331
Communications	53 555	49 433
Computer maintenance and software expenses	43 488	43 027
Other	111 372	57 991
Administrative expenses	**2 487 708**	**1 862 731**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the statement of comprehensive income in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

7 Provision for impairment of other assets and credit related commitments

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Provision for impairment of credit related commitments	203 057	223 978
Provision for impairment of other assets	85 799	23 061
	288 856	**247 039**

8 Income tax

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Current tax charge	1 471 076	256 131
Deferred taxation	(1 910)	716 675
Income tax expense	**1 469 166**	**972 806**

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% (2011: 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:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Income before tax	7 247 048	4 858 340
Applicable statutory tax rate	20%	20%
Income tax using the applicable tax rate	1 449 410	971 668
Income taxed at lower rate	(31 876)	(46 071)
Net non-deductible costs	51 632	47 209
Income tax expense	**1 469 166**	**972 806**

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

	31 December 2012 RUB'000	31 December 2011 RUB'000
Current tax liability	125 817	15 870
Deferred tax liability	2 608 594	2 074 397
Income tax liability	**2 734 411**	**2 090 267**

Movements in temporary differences during the years ended 31 December 2012 and 2011 are presented as follows.

RUB'000	Balance 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income and equity	Balance 31 December 2012
Due from credit institutions	(5 772)	7 872	-	2 100
Financial instruments at fair value through profit or loss	(9 653)	26 712	-	17 059
Available-for-sale securities	2 225	(24 665)	17 269	(5 171)
Loans to customers	832 348	125 832	-	958 180
Property and equipment	265 806	(13 041)	153 876	406 641
Other assets	673	(50 171)	-	(49 498)
Deposits by credit institutions	22 592	12 217	-	34 809
Deposits by customers	876 864	(26 577)	364 962	1 215 249
Debt securities issued	24 556	(10 541)	-	14 015
Other liabilities	64 758	(49 548)	-	15 210
	2 074 397	**(1 910)**	**536 107**	**2 608 594**

RUB'000	Balance 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income and equity	Balance 31 December 2011
Due from credit institutions	(1 585)	(4 187)	-	(5 772)
Financial instruments at fair value through profit or loss	55 383	(65 036)	-	(9 653)
Available-for-sale securities	(1 385)	23 881	(20 271)	2 225
Loans to customers	251 334	581 014	-	832 348
Property and equipment	234 144	31 662	-	265 806
Other assets	(7 518)	8 191	-	673
Deposits by credit institutions	29 301	(6 709)	-	22 592
Deposits by customers	-	(7 226)	884 090	876 864
Debt securities issued	1 798	22 758	-	24 556
Other liabilities	(67 569)	132 327	-	64 758
	493 903	**716 675**	**863 819**	**2 074 397**

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

RUB'000	2012 Amount before tax	2012 Tax expense	2012 Amount net-of-tax	2011 Amount before tax	2011 Tax benefit	2011 Amount net-of-tax
Revaluation reserve for available-for-sale securities	86 347	(17 269)	69 078	(101 355)	20 271	(81 084)
Revaluation of property and equipment	769 380	(153 876)	615 504	-	-	-
Other comprehensive income	**855 727**	**(171 145)**	**684 582**	**(101 355)**	**20 271**	**(81 084)**

9 Cash and cash equivalents

	31 December 2012 RUB'000	31 December 2011 RUB'000
Cash on hand	10 829 487	7 235 147
Correspondent account with the Central Bank of the Russian Federation	7 380 087	7 369 693
Nostro accounts with other banks		
rated from AA+ to AA-	2 356 479	844 958
rated from A+ to A-	3 661 702	697 121
rated from BBB+ to BBB-	2 772 663	1 876 423
rated from BB+ to BB-	11 150	5 504
rated from B+ to B-	54 111	183 608
not rated	169 090	1 719 034
Total nostro accounts with other banks	**9 025 195**	**5 326 648**

	31 December 2012 RUB'000	31 December 2011 RUB'000
Due from credit institutions with maturity of less than 1 month		
rated from AA+ to AA-	-	1 337 973
rated from A+ to A-	3 057 049	-
rated from BBB+ to BBB-	12 003 049	9 729 891
rated from B+ to B-	2 727 184	1 932 050
not rated	2 437 024	1 502 017
Total due from credit institutions with maturity of less than 1 month	**20 224 306**	**14 501 931**
Total cash and cash equivalents	**47 459 075**	**34 433 419**

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 period end.

Balances with stock exchanges are included in not rated nostro accounts in the amount of RUB 25 914 thousand as at 31 December 2012 (31 December 2011: RUB 1 271 352 thousand).

As at 31 December 2012 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 610 228 thousand (31 December 2011: RUB 1 103 927 thousand).

As at 31 December 2012 the Group has two counterparties (31 December 2011: none) whose nostro accounts and deposits with maturity of less than 1 month exceed 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2012 is RUB 10 813 160 thousand.

Information about the currency and maturity of cash and cash equivalents is presented in note 28.

10 Due from credit institutions

	31 December 2012 RUB'000	31 December 2011 RUB'000
Term deposits		
rated from A+ to A-	-	30 586
rated from BBB+ to BBB-	-	2 841 567
rated from B+ to B-	8 634 326	1 620 332
not rated	3 886 465	808 927
Total due from credit institutions	**12 520 791**	**5 301 412**

No due from credit institutions are impaired or past due.

As at 31 December 2012 the Group has three counterparties (31 December 2011: three) whose deposit balances exceed 10% of total due from credit institutions. The gross value of these balances as at 31 December 2012 is RUB 9 391 730 thousand (31 December 2011: RUB 5 270 826 thousand).

Information about the currency and maturity and effective interest rates on amounts due from credit institutions is presented in note 28.

11 Financial instruments at fair value through profit or loss

	31 December 2012 RUB'000	31 December 2011 RUB'000
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	3 575 134	9 286 846
Moscow Government bonds	384 119	927 144
Regional authorities and municipal bonds	3 770 072	372 780
Russian Government Eurobonds	72	1 789 318
Corporate bonds		
rated AAA	151 919	-
from BBB+ to BBB-	6 514 582	4 007 920
from BB+ to BB-	8 646 144	2 101 783
from B+ to B-	7 877 210	3 213 814
from CCC+ to CCC-	-	52 618
not rated	746 721	1 031 514
Derivative financial instruments	18 826	84 491
Equity investments	17	23
Total financial instruments at fair value through profit or loss held by the Group	**31 684 816**	**22 868 251**

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

As at 31 December 2012 debt instruments in the amount of RUB 25 419 690 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2011: RUB 20 225 639 thousand).

Derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 31 December 2012 and 2011 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	
	2012 RUB'000	2011 RUB'000	2012	2011
Buy USD sell RUB				
Less than 3 months	8 835 418	9 606 535	30.3639	31.9154
Buy RUB sell USD				
Less than 3 months	8 048 766	-	30.3354	-

	Notional amount		Weighted average contractual exchange rates	
	2012 RUB'000	**2011 RUB'000**	**2012**	**2011**
Buy RUB sell EUR				
Less than 3 months	522 972	-	40.3054	-
Buy gold sell RUB				
Between 3 months and 1 year	1 294 848	-	1 619.78	-
	18 702 004	**9 606 535**		

12 Available-for-sale securities

	31 December 2012 RUB'000	31 December 2011 RUB'000
Held by the Group		
Government and municipal bonds		
Regional authorities and municipal bonds	-	10 277
Corporate bonds		
from BBB+ to BBB-	1 005 788	410 734
from BB+ to BB-	1 727 976	385 133
from B+ to B-	320 678	1 017 580
not rated	62 032	179 948
Promissory notes		
from BBB+ to BBB-	1 175 991	-
from BB+ to BB-	688 723	-
Equity investments	26 006	27 006
Total available-for-sale securities held by the Group	**5 007 194**	**2 030 678**
Pledged as collateral for interbank and other loans		
Promissory notes		
from BBB+ to BBB-	440 400	-
Total available-for-sale securities pledged as collateral for interbank and other loans	**440 400**	**-**
Total available-for-sale securities	**5 447 594**	**2 030 678**

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

As at 31 December 2012 debt instruments in the amount of RUB 2 893 914 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2011: RUB 371 884 thousand).

13 Loans to customers

	31 December 2012 RUB'000	31 December 2012 RUB'000	31 December 2011 RUB'000	31 December 2011 RUB'000
	Loans	**Impairment allowance**	**Loans**	**Impairment allowance**
Loans to corporate clients	**155 540 928**	**(3 058 623)**	**132 844 258**	**(2 624 407)**
Loans to individuals				
Auto loans	10 978 394	(56 800)	6 175 018	(23 778)
Mortgage loans	10 442 450	(219 648)	7 661 002	(261 229)
Consumer loans	28 971 476	(1 363 655)	16 021 975	(773 018)
Total loans to individuals	**50 392 320**	**(1 640 103)**	**29 857 995**	**(1 058 025)**
Gross loans to customers	**205 933 248**	**(4 698 726)**	**162 702 253**	**(3 682 432)**
Net loans to customers	**201 234 522**		**159 019 821**	

Credit quality of loan portfolio

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
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**

The following table provides information on credit quality of the loan portfolio as at 31 December 2011:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to customers				
- Not past due	160 099 212	(2 566 290)	157 532 922	1.6
- Overdue less than 31 days	355 052	(71 237)	283 815	20.1
- Overdue 31-60 days	350 478	(111 034)	239 444	31.7
- Overdue 61-90 days	132 488	(68 061)	64 427	51.4
- Overdue 91-180 days	911 837	(285 716)	626 121	31.3
- Overdue 181-360 days	307 977	(229 514)	78 463	74.5
- Overdue more than 360 days	545 209	(350 580)	194 629	64.3
Total loans to customers	**162 702 253**	**(3 682 432)**	**159 019 821**	**2.3**

As at 31 December 2012, the loan portfolio includes loans that have been restructured and would otherwise be past due or impaired in the amount of RUB 225 145 thousand (31 December 2011: RUB 904 633 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 31 December 2012 and 31 December 2011:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUB'000	RUB'000	RUB'000	%
Restructured loans				
- As at 31 December 2012	225 145	(11 257)	213 888	5.0
- As at 31 December 2011	904 633	(48 185)	856 448	5.3

As at 31 December 2012, the gross amount of overdue loans with payments that are overdue at least one day totals RUB 3 112 674 thousand, which represents 1.5% of the loan portfolio (31 December 2011: RUB 2 603 041 thousand and 1.6%, respectively).

Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 1 967 163 thousand or 1.0% of the loan portfolio (31 December 2011: RUB 1 765 023 thousand and 1.2%, respectively).

NPLs together with restructured loans amount to RUB 2 192 308 thousand or 1.1% of the loan portfolio (31 December 2011: RUB 2 669 656 thousand and 1.6%, respectively).

As at 31 December 2012, the ratio of total impairment allowance to overdue loans equals 151.0%, the ratio of total impairment allowance to NPLs equals 238.9% and the ratio of total impairment allowance to NPLs together with restructured loans equals 214.3% (31 December 2011: 141.5%, 208.6% and 137.9%, respectively).

Movements in the loan impairment allowance for the years ended 31 December 2012 and 31 December 2011 are as follows:

	2012 RUB'000	2011 RUB'000
Balance at the beginning of the period	3 682 432	2 793 109
Net charge	1 864 717	1 283 719
Net write-offs	(848 423)	(394 396)
Balance at the end of the period	**4 698 726**	**3 682 432**

As at 31 December 2012, interest accrued on overdue loans amounts to RUB 350 243 thousand (31 December 2011: RUB 232 214 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 December 2012:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
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 following table provides information on credit quality of loans to corporate clients as at 31 December 2011:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to corporate clients				
- Not past due	132 187 233	(2 459 881)	129 727 352	1.9
- Overdue less than 31 days	48 560	(22 774)	25 786	46.9
- Overdue 31-60 days	130 641	(54 930)	75 711	42.0
- Overdue 61-90 days	2 616	(826)	1 790	31.6
- Overdue 91-180 days*	405 492	(21 128)	384 364	5.2
- Overdue 181-360 days	22 599	(19 506)	3 093	86.3
- Overdue more than 360 days	47 117	(45 362)	1 755	96.3
Total loans to corporate clients	**132 844 258**	**(2 624 407)**	**130 219 851**	**2.0**

* Included in overdue loans to corporate clients for 91-180 days in 2011 was a loan in the amount of RUB 403 127 thousand with liquid real estate collateral. The Group estimated loan impairment for this loan based on an analysis of future cash flows from the collateral. This loan was sold at approximately its carrying value in December 2012.

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 31 December 2012 would increase/decrease by RUB 1 524 823 thousand (31 December 2011: RUB 1 302 199 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 December 2012 and 31 December 2011:

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Real estate	28 114 584	24 415 976
Goods	23 412 380	16 909 401
Securities	13 970 269	13 918 389
Claims for contract receivables	12 034 429	5 052 161
Equipment and motor vehicles	6 128 842	5 863 536
Bank's own debts	-	5 377 645
Guarantees by other banks	344 878	344 561
Corporate guarantees and no collateral	68 476 922	58 338 182
	152 482 305	**130 219 851**

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.

Management estimates that the impairment allowance for loans to corporate customers would have been approximately RUB 821 839 thousand higher without any collateral (31 December 2011: RUB 2 744 418 thousand).

Collateral obtained

During the period ended 31 December 2012, the Group obtained certain assets by taking possession of collateral for loans to corporate customers. As at 31 December 2012, the carrying amount of such assets was RUB 4 572 thousand (31 December 2011: RUB 95 321 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 years ended 31 December are as follows:

	2012 RUB'000	**2011 RUB'000**
Balance at the beginning of the period	2 624 407	1 990 001
Net charge	642 917	866 943

Net write-offs	(208 701)	(232 537)
Balance at the end of the period	**3 058 623**	**2 624 407**

Credit quality of loans to individuals

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
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**
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**

The following table provides information on the credit quality of loans to individuals as at 31 December 2011:

	Gross loans	**Impairment allowance**	**Net loans**	**Impairment to gross loans**
	RUB'000	**RUB'000**	**RUB'000**	**%**
Auto loans				
- Not past due	6 097 845	(2 515)	6 095 330	0.0
- Overdue less than 31 days	29 710	(1 551)	28 159	5.2
- Overdue 31-60 days	9 312	(1 297)	8 015	13.9
- Overdue 61-90 days	10 388	(2 194)	8 194	21.1
- Overdue 91-180 days	10 691	(3 696)	6 995	34.6
- Overdue 181-360 days	10 383	(6 317)	4 066	60.8
- Overdue more than 360 days	6 689	(6 208)	481	92.8
Total auto loans	**6 175 018**	**(23 778)**	**6 151 240**	**0.4**
Mortgage loans				
- Not past due	6 975 596	(25 571)	6 950 025	0.4
- Overdue less than 31 days	46 368	(42)	46 326	0.1
- Overdue 31-60 days	93 765	(2 935)	90 830	3.1
- Overdue 61-90 days	3 795	-	3 795	0.0
- Overdue 91-180 days	117 849	(9 098)	108 751	7.7
- Overdue 181-360 days	16 312	(3 340)	12 972	20.5
- Overdue more than 360 days	407 317	(220 243)	187 074	54.1
Total mortgage loans	**7 661 002**	**(261 229)**	**7 399 773**	**3.4**
Consumer loans				
- Not past due	14 838 538	(78 323)	14 760 215	0.5
- Overdue less than 31 days	230 414	(46 870)	183 544	20.3
- Overdue 31-60 days	116 760	(51 872)	64 888	44.4
- Overdue 61-90 days	115 689	(65 041)	50 648	56.2
- Overdue 91-180 days	377 805	(251 794)	126 011	66.6
- Overdue 181-360 days	258 683	(200 351)	58 332	77.5
- Overdue more than 360 days	84 086	(78 767)	5 319	93.7
Consumer loans	**16 021 975**	**(773 018)**	**15 248 957**	**4.8**
Total loans to individuals	**29 857 995**	**(1 058 025)**	**28 799 970**	**3.5**

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:

- the Group can sell auto loans and consumer loans overdue more than 360 days for 54.6 % and 1.9 % of their gross amounts, respectively
- 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 31 December 2012 would increase/decrease by RUB 487 522 thousand (31 December 2011: RUB 288 000 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 31 December 2012 impaired mortgage loans in the amount of RUB 548 234 thousand are secured by collateral with a fair value of RUB 451 018 thousand (31 December 2011: RUB 685 406 thousand and RUB 446 988 thousand, respectively). As at 31 December 2012, the Group estimates the fair value of private real estate undergoing foreclosure to be RUB 137 708 thousand (31 December 2011: RUB 36 396 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2012 are as follows:

	Auto loans RUB'000	**Mortgage loans RUB'000**	**Consumer loans RUB'000**	**Total RUB'000**
Balance at the beginning of the period	23 778	261 229	773 018	1 058 025
Net charge (reversal)	46 175	(41 581)	1 217 206	1 221 800
Net write-offs	(13 153)	-	(626 569)	(639 722)
Balance at the end of the period	**56 800**	**219 648**	**1 363 655**	**1 640 103**

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2011 are as follows:

	Auto loans RUB'000	**Mortgage loans RUB'000**	**Consumer loans RUB'000**	**Total RUB'000**
Balance at the beginning of the period	87 657	430 242	285 209	803 108
Net (reversal) charge	(32 353)	(169 013)	618 142	416 776
Net write-offs	(31 526)	-	(130 333)	(161 859)
Balance at the end of the period	**23 778**	**261 229**	**773 018**	**1 058 025**

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 December 2012 RUB'000	31 December 2011 RUB'000
Loans to individuals	50 392 320	29 857 995
Consumer electronics, appliances and computers	25 737 636	18 459 411
Food and farm products	17 920 338	20 956 404
Residential and commercial construction and development	17 411 616	12 119 200
Construction and decorative materials, furniture	10 608 236	10 813 405
Clothing, shoes, textiles and sporting goods	10 189 443	9 149 182
Industrial equipment and machinery	9 714 082	8 318 855
Services	9 708 122	4 809 991
Metallurgical	8 071 462	3 681 045
Pharmaceutical and medical products	6 859 278	6 099 881
Property rental	5 622 270	8 164 457
Automotive, motorcycles and spare parts	5 264 206	5 396 030
Paper, stationery and packaging products	5 233 871	4 001 577
Consumer chemicals, perfumes and hygiene products	4 250 319	4 023 559
Oil and industrial chemicals	4 083 585	3 182 725
Financial	2 946 641	1 424 049
Industrial and infrastructure construction	2 660 923	1 510 690
Equipment leasing	2 649 336	4 443 980
Electric utility	1 117 228	-
Gardening and pet products	1 032 346	942 175
Books, video, print and copy	531 924	526 557
Products for home, gifts, jewelry and business accessories	404 207	408 239
Telecommunications	392 750	1 340 167
Other	3 131 109	3 072 679
	205 933 248	**162 702 253**
Impairment allowance	(4 698 726)	(3 682 432)
	201 234 522	**159 019 821**

Finance lease

Finance lease receivables included in loans to customers are as follows:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Gross investment in finance lease	5 130 373	4 107 027
Unearned interest income	(1 121 566)	(932 516)
Net investment in finance lease before allowance	**4 008 807**	**3 174 511**
Impairment allowance	(110 706)	(84 971)
Net investment in finance lease	**3 898 101**	**3 089 540**

The contractual maturity of the net investment in leases is as follows:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Less than 1 year	1 903 526	1 400 740
Between 1 and 5 years	1 915 664	1 688 791
More than 5 years	78 911	9
	3 898 101	**3 089 540**

Loan maturities

The maturity of the loan portfolio is presented in note 28.

14 Property and equipment

The movement in property and equipment for the year ended 31 December 2012 is presented in the table below:

RUB'000	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	62 137	134 860	85 859	249 915	239 065	**771 836**
Transfers	1 934 311	-	-	-	(1 934 311)	-
Disposals	(1 523)	(21 291)	(3 591)	(41 957)	-	**(68 362)**
Revaluation	769 380	-	-	-	-	**769 380**
Elimination of accumulated depreciation on revalued buildings	(239 634)	-	-	-	-	**(239 634)**
At 31 December 2012	**4 755 123**	**369 460**	**341 639**	**1 321 655**	**62 716**	**6 850 593**
Accumulated depreciation						
At 1 January 2012	**141 348**	**68 232**	**78 910**	**358 951**	**-**	**647 441**
Depreciation charge	98 461	60 709	62 611	186 122	-	**407 903**
Disposals	(175)	(16 743)	(3 591)	(24 228)	-	**(44 737)**
Elimination of accumulated depreciation on revalued buildings	(239 634)	-	-	-	-	**(239 634)**
At 31 December 2012	**-**	**112 198**	**137 930**	**520 845**	**-**	**770 973**
Carrying value						
At 31 December 2012	**4 755 123**	**257 262**	**203 709**	**800 810**	**62 716**	**6 079 620**

The movement in property and equipment for the year ended 31 December 2011 is presented in the table below:

RUB'000	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2011	2 216 926	146 259	86 192	747 310	1 498 854	**4 695 541**
Additions	13 526	127 772	175 447	394 858	259 108	**970 711**
Disposals	-	(18 140)	(2 268)	(28 471)	-	**(48 879)**
At 31 December 2011	**2 230 452**	**255 891**	**259 371**	**1 113 697**	**1 757 962**	**5 617 373**
Accumulated depreciation						
At 1 January 2011	96 053	48 540	50 823	245 008	-	**440 424**
Depreciation charge	45 295	37 107	29 602	130 044	-	**242 048**
Disposals		(17 415)	(1 515)	(16 101)	-	**(35 031)**
At 31 December 2011	**141 348**	**68 232**	**78 910**	**358 951**	**-**	**647 441**
Carrying value						
At 31 December 2011	**2 089 104**	**187 659**	**180 461**	**754 746**	**1 757 962**	**4 969 932**

Revalued assets

At 31 December 2012 buildings were revalued based on the results of an independent appraisal performed by OOO "MEF-Audit". The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales and/or offers of similar buildings.

The carrying value of buildings as of 31 December 2012, if the buildings would not have been revalued, would be RUB 3 360 213 thousand (31 December 2011: RUB 1 499 193 thousand).

15 Other assets

	31 December 2012 RUB'000	31 December 2011 RUB'000
Receivables	677 678	759 249
Property held for sale	190 411	167 244
Prepaid expenses	329 746	165 279
Current income tax receivable	1 578	118 596
Intangibles	74 870	73 962
Other	480 912	203 740
Total other assets	**1 755 195**	**1 488 070**

16 Deposits by credit institutions

	31 December 2012 RUB'000	31 December 2011 RUB'000
Demand deposits	949 181	64 496
Term deposits	23 377 902	18 168 718
Syndicated loans	10 231 524	5 421 197
Subordinated debt	625 126	1 309 717
Total deposits by credit institutions	**35 183 733**	**24 964 128**

Syndicated loans represent loans denominated in USD with effective interest rates ranging from 4.8% to 5.2% (31 December 2011: from 3.4% to 5.5%) and maturity from 2013 to 2015 (31 December 2011: from 2012 to 2015).

Subordinated debt represents loans denominated in USD with effective interest rate of 8.9% (31 December 2011: ranging from 6.6% to 9.4%) and maturity from 2016 to 2017 (31 December 2011: 2015 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 31 December 2012 and 2011, the Group fully meets all covenants of the loan agreements.

Concentrations of deposits by credit institutions

As at 31 December 2012 the Group has one counterparty (31 December 2011: two counterparties) whose deposits balance exceed 10% of deposits by credit institutions. The gross value of this balance as at 31 December 2012 is RUB 6 482 959 thousand (31 December 2011: RUB 8 900 996 thousand).

Information about the currency and maturity and effective interest rates on deposits by credit institutions is presented in note 28.

17 Deposits by customers

		31 December 2012 RUB'000	31 December 2011 RUB'000
Corporate customers	Demand	24 212 584	17 838 871
	Term	52 344 888	34 843 029
	Subordinated	2 219 428	2 745 236
	Term notes	3 225 262	5 894 492
Total corporate customers		**82 002 162**	**61 321 628**
Individuals	Demand	7 285 758	4 842 326
	Term	99 726 184	80 526 932
Total individuals		**107 011 942**	**85 369 258**
Total deposits by customers		**189 014 104**	**146 690 886**

Concentrations of deposits by customers

As at 31 December 2012 and 2011, there are no demand or term deposits from customers that individually exceed 10% of total customer accounts.

Information about the currency and maturity and effective interest rates on deposits by customers is presented in note 28.

18 Debt securities issued

	31 December 2012 RUB'000	31 December 2011 RUB'000
Promissory notes issued at nominal value	8 420 770	6 789 426
Accrued interest	18 723	32 768
Unamortized discount on promissory notes	(283 601)	(304 874)
	8 155 892	**6 517 320**
Bonds issued	31 857 898	24 601 549
	40 013 790	**31 118 869**

The table below provides a summary of bonds issued as at 31 December 2012 and 2011:

	Nominal amount of the initial issue RUB'000/ USD'000	Amount of the issue 31 December 2012 RUB'000	Amount of the issue 31 December 2011 RUB'000	Issue date	Maturity date	Coupon rate	Next early redemption date
RUB denominated bonds issue 07	2 000 000	2 081 065	2 049 005	20.07.2010	14.07.2015	10.25%	22.01.2013
RUB denominated bonds issue 08	3 000 000	1 696 892	1 540 542	14.04.2010	08.04.2015	9.75%	16.10.2013
RUB denominated bonds issue 11	3 000 000	3 015 000	-	11.12.2012	05.06.2018	12.25%*	At maturity
RUB denominated bonds issue BO-01	3 000 000	2 942 475	2 585 541	22.02.2011	22.02.2014	8.50%	01.03.2013
RUB denominated bonds issue BO-02	3 000 000	3 073 907	-	25.09.2012	25.09.2015	8.50%	01.10.2013
RUB denominated bonds issue BO-03	4 000 000	4 061 554	-	27.04.2012	27.04.2015	9.25%	06.05.2013
RUB denominated bonds issue BO-04	5 000 000	3 943 020	3 819 034	15.04.2011	15.04.2014	10.25%	At maturity
RUB denominated bonds issue BO-05	5 000 000	5 002 327	4 494 877	23.06.2011	23.06.2014	9.20%	At maturity
USD denominated Eurobonds issue	200 000	6 041 658	6 416 132	28.07.2011	05.08.2014	8.25%*	At maturity
RUB denominated bonds issue 05	2 000 000	-	1 682 876	29.04.2009	25.04.2012	7.40%	-
RUB denominated bonds issue 06	2 000 000	-	2 013 542	11.08.2009	07.08.2012	9.40%	-
		31 857 898	**24 601 549**				

** Fixed coupon rate*

The RUB denominated bonds issue 11 issued in February 2012 is a subordinated bonds issue.

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.

Information about the currency and maturity and effective interest rates on debt securities issued is presented in note 28.

19 Other liabilities

	31 December 2012 RUB'000	31 December 2011 RUB'000
Allowance for credit related commitments	687 454	484 397
Cash collection payables	411 036	397 693
Payables to suppliers	393 150	347 725
Deferred income	403 044	225 985
Operating taxes payable	180 062	97 944
Payables to Deposit Insurance Agency	99 923	80 119
Other	314 385	264 834
Total other liabilities	**2 489 054**	**1 898 697**

20 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 2011: 10 776 158 008 shares) with par value of 1 RUB per share. In addition, at 31 December 2012 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.

On 24 August 2012 the Central Bank of the Russian Federation registered the Bank's additional share issue. The additionally issued 1 901 674 944 ordinary shares with par value of 1 RUB per share were acquired by the EBRD and IFC for RUB 5.8 billion in total.

During 2011, the Group and its majority shareholder agreed to a reduction in the interest rate of its subordinated debt from 6.15% to 0.15%. The Group determined that this constituted a significant change in the terms of the subordinated debt, and therefore derecognized its previously recorded obligation and recognized a new liability, which was initially measured at fair value, to reflect the modified terms. The difference between the previous carrying amount of the debt and its estimated fair value under the modified terms was recognized as a contribution to additional paid-in-capital, in equity in the amount of RUB 3 536 361 thousand (net of deferred tax of RUB 884 090 thousand).

During 2012, the Group and its majority shareholder agreed to a change in maturity of its subordinated debt from 10 to 30 years. The Group determined that this constituted a significant change in the terms of the subordinated debt, and therefore derecognized its previously recorded obligation and recognized a new liability, which was initially measured at fair value, to reflect the modified terms. The difference between the previous carrying amount of the debt and its estimated fair value under the modified terms was recognized as a contribution to additional paid-in-capital, in equity in the amount of RUB 1 459 848 thousand (net of deferred tax of RUB 364 962 thousand).

This additional paid-in capital represents tier 1 capital according to the Basel Capital Accord.

21 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.

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Guarantees and letters of credit	40 586 746	29 869 161
Undrawn loan commitments	1 968 320	1 079 727
Other contingent liabilities	216 175	214 784
	42 771 241	**31 163 672**

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

22 Operating leases

Leases as lessee

Future minimum lease payments on non-cancellable lease agreements are as follows:

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Less than 1 year	346 301	227 407
Between 1 and 5 years	646 944	247 167
More than 5 years	79 380	214 929
	1 072 625	**689 503**

23 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.

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.

24 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

25 Related party transactions

The outstanding balances with related parties and related average interest rates as at 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012		31 December 2011	
	Amount RUB'000	**Average effective interest rate**	**Amount RUB'000**	**Average effective interest rate**
Loans to customers				
Majority shareholder	350 110	15.0%	70 208	12.0%
Under control of majority shareholder	1 006	16.0%	87 138	12.0%
Management	88 892	11.2%	43 977	10.7%
Total loans	**440 008**		**201 323**	
Deposits by customers				
Majority shareholder	320 310	8.6%	31 993	3.9%
Parent company	265 752	8.0%	250 896	8.3%
Under control of majority shareholder	2 342 880	6.7%	2 909 463	7.9%
Management	89 066	6.7%	35 481	7.6%
Total deposits	**3 018 008**		**3 227 833**	

Amounts included in the consolidated statement of comprehensive income for the year ended 31 December in relation to transactions with related parties are as follows:

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Interest income on loans to customers		
Majority shareholder	4 563	34 236
Under control of majority shareholder	5 085	38 956
Management	8 049	4 786
Total interest income on loans to customers	**17 697**	**77 978**
Interest expense on deposits by customers		
Majority shareholder	17 738	459
Parent company	22 252	31 743
Under control of majority shareholder	95 058	166 694
Management	2 697	1 716
Total interest expense on deposits by customers	**137 745**	**200 612**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the year ended 31 December (refer to note 6) is as follows:

	31 December 2012 RUB'000	**31 December 2011 RUB'000**
Members of the Supervisory Board	33 088	3 957
Members of the Management Board	186 064	45 596
	219 152	**49 553**

26 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 31 December 2012, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2012 and 2011.

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 31 December:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Tier 1 capital		
Share capital and additional paid-in capital	22 559 058	15 337 135
Retained earnings	15 601 246	9 823 364
Total tier 1 capital	**38 160 304**	**25 160 499**
Tier 2 capital		
Revaluation surplus for buildings	1 115 928	500 424
Revaluation reserve for investments available-for-sale	16 061	(53 017)
Subordinated loans		
Subordinated loans from EBRD	-	482 942
Subordinated loans from Black Sea Trade And Development Bank	485 963	643 922
Subordinated loans from Wellcreek Corporation	2 217 635	2 745 236
Subordinated bonds	3 000 000	-
Total tier 2 capital	**6 835 587**	**4 319 507**
Total capital	**44 995 891**	**29 480 006**
Risk-weighted assets		
Banking book	245 565 378	184 090 083
Trading book	40 067 912	21 012 847
Total risk weighted assets	**285 633 290**	**205 102 930**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**15.8**	**14.4**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**13.4**	**12.3**

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 years ended 31 December 2012 and 2011.

27 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, 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.

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

	31 December 2012 RUB'000	31 December 2011 RUB'000
ASSETS		
Corporate banking	153 576 987	131 168 702
Retail banking	50 203 307	30 110 289
Treasury	86 282 788	57 314 123
Cash operations	10 829 487	7 235 146
Unallocated assets	7 834 816	6 542 493
Total assets	**308 727 385**	**232 370 753**
LIABILITIES		
Corporate banking	82 002 162	61 321 627
Retail banking	107 011 942	85 369 257
Treasury	46 927 405	31 243 275
International business	28 270 118	24 839 723
Unallocated liabilities	5 223 465	3 988 965
Total liabilities	**269 435 092**	**206 762 847**

Segment information for the main reportable segments for the year ended 31 December 2012 is set below:

RUB'000	**Corporate banking**	**Retail banking**	**Treasury**	**International business**	**Cash operations**	**Unallocated**	**Total**
External interest income	17 891 104	6 851 704	3 723 523	-	-	-	28 466 331
Fee and commission income	1 538 737	1 374 341	56 361	-	1 136 782	-	4 106 221
Net gain on securities	-	-	368 407	-	-	-	368 407
Net foreign exchange losses	-	-	(208 228)	-	-	-	(208 228)
Other operating income	221 287	233 593	12 368	-	-	-	467 248
(Expenses) revenue from other segments	(6 658 926)	4 238 716	526 656	1 797 275	96 279	-	-
Revenue	**12 992 202**	**12 698 354**	**4 479 087**	**1 797 275**	**1 233 061**	**-**	**33 199 979**
Impairment losses on loans	(642 917)	(1 221 800)	-	-	-	-	(1 864 717)
Interest expense	(3 391 846)	(8 208 314)	(3 523 688)	(1 101 120)	-	-	(16 224 968)
Fee and commission expense	(101 446)	(257 640)	(65 398)	(2 991)	(578)	-	(428 053)
General administrative and other expenses	(658 553)	(2 213 701)	(25 931)	(22 556)	(982 688)	(3 531 764)	(7 435 193)
Segment result	**8 197 440**	**796 899**	**864 070**	**670 608**	**249 795**	**(3 531 764)**	**7 247 048**

Segment information for the main reportable segments for the year ended 31 December 2011 is set below:

RUB'000	**Corporate banking**	**Retail banking**	**Treasury**	**International business**	**Cash operations**	**Unallocated**	**Total**
External interest income	13 475 361	4 440 110	3 065 393	-	-	-	20 980 864
Fee and commission income	1 123 736	1 015 136	4 970	-	793 086	-	2 936 928
Net loss on securities	-	-	(816 952)	-	-	-	(816 952)
Net foreign exchange gains	-	-	255 021	-	-	-	255 021
Other operating income	80 985	90 430	11 040	-	-	-	182 455
(Expenses) revenue from other segments	(4 554 527)	3 868 990	(468 876)	1 136 386	18 027	-	-
Revenue	**10 125 555**	**9 414 666**	**2 050 596**	**1 136 386**	**811 113**	**-**	**23 538 316**
Impairment losses on loans	(866 943)	(416 776)	-	-	-	-	(1 283 719)
Interest expense	(2 317 426)	(6 172 591)	(3 226 993)	(540 192)	-	-	(12 257 202)
Fee and commission expense	(7 601)	(43 439)	(65 792)	(74 999)	(535)	-	(192 366)
General administrative and other expenses	(500 947)	(2 275 176)	(105 956)	(21 211)	(712 453)	(1 330 946)	(4 946 689)
Segment result	**6 432 638**	**506 684**	**(1 348 145)**	**499 984**	**98 125**	**(1 330 946)**	**4 858 340**

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.

28 Risk management

Management of risk is fundamental to the banking business and is an essential element of operations. The main risks inherent in the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for recognised and unrecognised exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Lending Department, which is responsible for the corporate loan portfolio. Credit reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Division's Credit Risk Management Department and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Corporate Lending Division and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists of the Collateral Evaluation and Monitoring Service, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and borrowers' credit worthiness evaluation procedures and verification procedures developed together with the Risk Division.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Division with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk in relation to assets recognized at the reporting date is as follows:

	31 December 2012 RUB'000	31 December 2011 RUB'000
ASSETS		
Cash and cash equivalents	36 629 588	27 198 272
Obligatory reserves with the Central Bank of the Russian Federation	2 545 772	2 259 170
Due from credit institutions	12 520 791	5 301 412
Financial instruments at fair value through profit or loss	31 665 973	22 783 737
Available-for-sale securities	5 421 588	2 003 672
Loans to customers	201 234 522	159 019 821
Other assets	1 069 219	870 522
Total maximum exposure to credit risk on statement of financial position	**291 087 453**	**219 436 606**

For the analysis of concentration of credit risk in respect of loans to customers refer to note 13.

The maximum exposure to credit risk in relation to guarantees and commitments at the reporting date is presented in note 21.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group established an Operational Risk Unit as a part of the Internal Control Department. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of Internal Control Department on important developments and issues. The Head of Internal Control Department reports directly to the Supervisory Board.

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.

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are: (i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand; (ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; (iii) long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The Bank was in compliance with these ratios during the years ended 31 December 2012 and 2011.

The following tables as at 31 December show the undiscounted cash flows from financial liabilities on the basis of their contractual maturity. These expected cash flows can vary significantly from the actual future cash flows.

Foreign currency payments are translated using the spot exchange rate at the reporting date.

31 December 2012	**Less than 1 month RUB’000**	**1 to 6 months RUB’000**	**6 months to 1 year RUB’000**	**Over 1 year RUB’000**	**Total RUB’000**
LIABILITIES					
Deposits by credit institutions	2 244 139	9 942 417	17 590 603	7 449 609	**37 226 768**
Deposits by customers	65 778 158	45 930 212	53 275 369	36 852 290	**201 836 029**
Debt securities issued	3 175 259	12 049 741	8 038 267	21 244 152	**44 507 419**
Total contractual future payments for financial obligations as at 31 December 2012	**71 197 556**	**67 922 370**	**78 904 239**	**65 546 051**	**283 570 216**
Guarantees and letters of credit	40 586 746	-	-	-	**40 586 746**
Credit related commitments	1 968 320	-	-	-	**1 968 320**

31 December 2011	**Less than 1 month RUB’000**	**1 to 6 months RUB’000**	**6 months to 1 year RUB’000**	**Over 1 year RUB’000**	**Total RUB’000**
LIABILITIES					
Deposits by credit institutions	2 244 927	5 084 321	11 146 691	8 097 348	**26 573 287**
Deposits by customers	43 222 843	43 141 677	35 265 353	36 520 146	**158 150 019**
Debt securities issued	1 979 301	5 370 272	10 955 480	16 274 938	**34 579 991**
Total contractual future payments for financial obligations as at 31 December 2011	**47 447 071**	**53 596 270**	**57 367 524**	**60 892 432**	**219 303 297**
Guarantees and letters of credit	29 869 161	-	-	-	**29 869 161**
Credit related commitments	1 079 727	-	-	-	**1 079 727**

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 classifiing them in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

	2012 RUB’000	**2011 RUB’000**
Demand and less than 1 month	7 570 437	5 040 073
From 1 to 6 months	32 475 794	32 490 657
From 6 to 12 months	36 813 219	23 931 570
More than 1 year	22 866 734	19 064 632
	99 726 184	**80 526 932**

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 31 December 2012 management believes debt securities issued to be a stable source of funding based on the past experience, thus classifiing them in accordance with their stated maturity dates. Maturity based on early redemption dates is shown in the table below:

31 December 2012	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	1 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Total RUB'000
Promissory notes issued	1 081 497	4 091 297	2 399 572	583 526	-	-	-	**8 155 892**
Bonds issued	2 081 065	7 004 029	4 770 799	14 987 005	-	3 015 000	-	**31 857 898**

The following tables show all assets and liabilities as at 31 December 2012 and 2011 by their remaining contractual maturities, including term deposits with individuals and debt securities issued, with the exception of 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 as collateral for its loans. Such securities 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. The amounts shown here represent carrying amounts on the reporting dates and do not include cash flows associated with future interest and coupon payments.

As at 31 December 2012 and 2011 the contractual maturities of all securities included in financial instruments at fair value through profit or loss and available-for-sale securities were as follows:

31 December 2012	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	1 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Total RUB'000
Financial instruments at fair value through profit or loss	18 826	1 562 877	3 194 256	14 053 183	7 183 554	5 672 103	17	**31 684 816**
Available-for-sale securities	-	1 864 715	687 633	1 887 854	760 771	220 615	26 006	**5 447 594**

31 December 2011	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	1 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Total RUB'000
Financial instruments at fair value through profit or loss	84 491	1 598 664	961 248	7 629 243	6 547 877	6 046 705	23	**22 868 251**
Available-for-sale securities	-	197 250	528 167	625 001	103 079	550 175	27 006	**2 030 678**

31 December 2012	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	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**
	9 2 456 943	**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**	

31 December 2011	**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	34 433 419	-	-	-	-	-	-	-	-	-	-	**34 433 419**
Obligatory reserves with the Central Bank of the Russian Federation	-	-	-	-	-	-	-	-	-	2 259 170	-	**2 259 170**
Due from credit institutions	-	5 270 826	30 586	-	-	-	-	-	-	-	-	**5 301 412**
Financial instruments at fair value through profit or loss	20 310 483	-	559 346	79 191	350 998	177 323	689 737	701 150	-	23	-	**22 868 251**
Available-for-sale securities	371 885	-	51 626	419 739	98 150	515 525	-	103 079	443 668	27 006	-	**2 030 678**
Loans to customers	12 292 527	27 454 499	32 353 751	12 361 218	15 868 355	22 021 814	14 764 676	13 852 822	6 563 260	-	1 486 899	**159 019 821**
Property and equipment	-	-	-	-	-	-	-	-	-	4 969 932	-	**4 969 932**
Other assets	291 613	475 110	271 558	167 749	39 439	942	452	-	-	241 207	-	**1 488 070**
	67 699 927	**33 200 435**	**33 266 867**	**13 027 897**	**16 356 942**	**22 715 604**	**15 454 865**	**14 657 051**	**7 006 928**	**7 497 338**	**1 486 899**	**232 370 753**
LIABILITIES												
Deposits by credit institutions	2 239 428	2 191 591	2 839 045	4 450 240	6 315 653	3 525 359	897 906	1 904 128	600 778	-	-	**24 964 128**
Deposits by customers	43 158 216	18 528 125	23 602 385	17 195 828	15 970 309	9 135 332	14 092 833	2 262 622	2 745 236	-	-	**146 690 886**
Debt securities issued	1 875 939	1 623 996	3 014 127	4 977 035	5 364 688	2 591 335	11 664 500	6 559	690	-	-	**31 118 869**
Income tax liability	15 870	-	-	-	-	-	-	-	-	2 074 397	-	**2 090 267**
Other liabilities	748 221	267 234	84 297	108 365	60 228	96 393	121	-	-	533 838	-	**1 898 697**
	48 037 674	**22 610 946**	**29 539 854**	**26 731 468**	**27 710 878**	**15 348 419**	**26 655 360**	**4 173 309**	**3 346 704**	**2 608 235**	**-**	**206 762 847**
Net position	**19 662 253**	**10 589 489**	**3 727 013**	**(13 703 571)**	**(11 353 936)**	**7 367 185**	**(11 200 495)**	**10 483 742**	**3 660 224**	**4 889 103**	**1 486 899**	**25 607 906**
Accumulated gap	**19 662 253**	**30 251 742**	**33 978 755**	**20 275 184**	**8 921 248**	**16 288 433**	**5 087 938**	**15 571 680**	**19 231 904**	**24 121 007**	**25 607 906**	

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate currency and equity financial instruments which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimizing the return on risk.

Overall authority for market risk is vested in ALCO which is chaired by the Chairman of the Management Board. Market risk limits are approved by ALCO based on recommendations of the Risk Division’s Financial Risk Management Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board and/or ALCO.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The table below summarises the exposure to interest rate risks. The table presents the aggregated amounts of financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Less than 1 month	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Overdue**	**Total**
	RUB’000	**RUB’000**	**RUB’000**	**RUB’000**	**RUB’000**	**RUB’000**
31 December 2012						
Interest-bearing assets	35 910 697	79 986 901	43 309 939	110 560 570	1 299 071	**271 067 178**
Interest-bearing liabilities	39 233 012	65 756 926	73 587 387	53 866 131	-	**232 443 456**
Net interest sensitivity gap as at 31 December 2012	**(3 322 315)**	**14 229 975**	**(30 277 448)**	**56 694 439**	**1 299 071**	**38 623 722**
31 December 2011						
Interest-bearing assets	25 742 936	66 905 576	29 718 988	78 704 652	1 486 900	**202 559 052**
Interest-bearing liabilities	23 680 936	51 799 268	54 273 753	49 427 278	-	**179 181 235**
Net interest sensitivity gap as at 31 December 2011	**2 062 000**	**15 106 308**	**(24 554 765)**	**29 277 374**	**1 486 900**	**23 377 817**

An analysis of sensitivity of profit or loss and equity to changes in market interest rates based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2012 and 2011 is as follows:

	2012		**2011**	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
100 bp parallel rise	(5 811)	(5 811)	57 164	57 164
100 bp parallel fall	5 811	5 811	(57 164)	(57 164)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2012		**2011**	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
100 bp parallel rise	(263 831)	(299 027)	(363 888)	(392 369)
100 bp parallel fall	263 831	299 027	363 888	392 369

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 10% change in USD to Russian Rouble exchange rates is as follows:

	2012		**2011**	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
10% appreciation of USD against RUB	53 674	53 674	(6 468)	(6 468)
10% depreciation of USD against RUB	(53 674)	(53 674)	6 468	6 468

Equity price risk

Price risk is the risk that the value of an equity financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in an equity financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 5% change in all securities prices is as follows:

	2012		**2011**	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
5% increase in securities prices	1	1 040	-	1 080
5% decrease in securities prices	(1)	(1 040)	-	(1 080)

Interest rate analysis

The interest rate policy is reviewed and approved by ALCO. The average effective interest rates for interest bearing financial instruments are as follows:

	31 December 2012			31 December 2011		
	USD	**RUB**	**Other foreign currencies**	**USD**	**RUB**	**Other foreign currencies**
Interest bearing assets						
Cash and cash equivalents	-	6.3%	-	-	5.7%	-
Due from credit institutions	3.9%	11.4%	-	3.2%	9.0%	3.0%
Financial instruments at fair value through profit or loss – government bonds	2.7%	6.3%	-	5.9%	7.9%	-
Financial instruments at fair value through profit or loss – corporate notes and municipal bonds	-	9.5%	-	-	10.1%	-
Available-for-sale securities – corporate notes and municipal bonds	4.8%	9.5%	-	8.8%	11.3%	-
Loans to customers	9.5%	14.5%	9.3%	9.2%	12.5%	9.6%
Interest bearing liabilities						
Deposits by credit institutions	4.2%	8.2%	3.0%	4.0%	7.6%	3.3%
- Syndicated loans	4.9%	-	-	3.9%	-	-
- Subordinated debt	8.9%	-	-	7.7%	-	-
Term deposits by customers	5.0%	10.2%	5.1%	5.9%	9.3%	6.3%
Debt securities issued	8.3%	9.5%	5.2%	8.3%	8.7%	5.2%

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:

	31 December 2012				**31 December 2011**			
	USD	**RUB**	**Other currencies**	**Total**	**USD**	**RUB**	**Other currencies**	**Total**
	RUB'000	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**
ASSETS								
Cash and cash equivalents	6 526 493	36 895 421	4 037 161	**47 459 075**	2 853 889	28 513 466	3 066 064	**34 433 419**
Obligatory reserves with the Central Bank of the Russian Federation	-	2 545 772	-	**2 545 772**	-	2 259 170	-	**2 259 170**
Due from credit institutions	3 027 050	9 493 741	-	**12 520 791**	3 262 873	1 620 332	418 207	**5 301 412**
Financial instruments at fair value through profit or loss	1 835 687	29 849 129	-	**31 684 816**	1 873 809	20 994 442	-	**22 868 251**
Available-for-sale securities	2 234 037	3 213 557	-	**5 447 594**	546 748	1 483 930	-	**2 030 678**
Loans to customers	28 419 960	166 113 500	6 701 062	**201 234 522**	18 186 054	132 935 173	7 898 594	**159 019 821**
Property and equipment	-	6 079 620	-	**6 079 620**	-	4 969 932	-	**4 969 932**
Other assets	32 264	1 688 149	34 782	**1 755 195**	38 388	1 409 572	40 110	**1 488 070**
	42 075 491	**255 878 889**	**10 773 005**	**308 727 385**	**26 761 761**	**194 186 017**	**11 422 975**	**232 370 753**

	31 December 2012				31 December 2011			
	USD	**RUB**	**Other currencies**	**Total**	**USD**	**RUB**	**Other currencies**	**Total**
	RUB'000	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**
LIABILITIES								
Deposits by credit institutions	21 701 901	10 459 968	3 021 864	**35 183 733**	16 752 464	6 504 539	1 707 125	**24 964 128**
Deposits by customers	14 271 818	167 087 563	7 654 723	**189 014 104**	12 883 207	123 628 785	10 178 894	**146 690 886**
Debt securities issued	6 043 178	33 959 910	10 702	**40 013 790**	6 700 568	24 407 370	10 931	**31 118 869**
Income tax liability	-	2 734 411	-	**2 734 411**	-	2 090 267	-	**2 090 267**
Other liabilities	171 752	2 178 774	138 528	**2 489 054**	28 413	1 840 441	29 843	**1 898 697**
	42 188 649	**216 420 626**	**10 825 817**	**269 435 092**	**36 364 652**	**158 471 402**	**11 926 793**	**206 762 847**
Net position before hedging	**(113 158)**	**39 458 263**	**(52 812)**	**39 292 293**	**(9 602 891)**	**35 714 615**	**(503 818)**	**25 607 906**
Spot contracts	786 652	(1 558 528)	771 876	-	9 606 635	(9 606 635)	-	-
Net position	**673 494**	**37 899 735**	**719 064**	**39 292 293**	**3 744**	**26 107 980**	**(503 818)**	**25 607 906**

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 31 December 2012 and 2011 is disclosed in the table below:

	31 December 2012				31 December 2011			
	Russia RUB'000	**OECD RUB'000**	**Other non-OECD RUB'000**	**Total RUB'000**	**Russia RUB'000**	**OECD RUB'000**	**Other non-OECD RUB'000**	**Total RUB'000**
ASSETS								
Cash and cash equivalents	37 194 041	10 261 265	3 769	**47 459 075**	29 860 525	4 567 963	4 931	**34 433 419**
Obligatory reserves with the Central Bank of the Russian Federation	2 545 772	-	-	**2 545 772**	2 259 170	-	-	**2 259 170**
Due from credit institutions	11 012 376	763 114	745 301	**12 520 791**	1 620 331	3 681 081	-	**5 301 412**
Financial instruments at fair value through profit or loss	31 532 897	151 919	-	**31 684 816**	22 868 251	-	-	**22 868 251**
Available-for-sale securities	5 447 594	-	-	**5 447 594**	2 030 678	-	-	**2 030 678**
Loans to customers	196 582 729	2 362 253	2 289 540	**201 234 522**	153 650 417	4 236 030	1 133 374	**159 019 821**
	284 315 409	**13 538 551**	**3 038 610**	**300 892 570**	**212 289 372**	**12 485 074**	**1 138 305**	**225 912 751**
LIABILITIES								
Deposits by credit institutions	12 984 941	22 198 792	-	**35 183 733**	6 540 537	18 413 350	10 241	**24 964 128**
Deposits by customers	185 721 020	81 319	3 211 765	**189 014 104**	140 648 047	333 081	5 709 758	**146 690 886**
Debt securities issued	37 350 929	2 273 174	389 687	**40 013 790**	28 183 391	2 501 684	433 794	**31 118 869**
	236 056 890	**24 553 285**	**3 601 452**	**264 211 627**	**175 371 975**	**21 248 115**	**6 153 793**	**202 773 883**
Net position	**48 258 519**	**(11 014 734)**	**(562 842)**	**36 680 943**	**36 917 397**	**(8 763 041)**	**(5 015 488)**	**23 138 868**

29 Fair value of financial instruments

For financial instruments whose fair value is estimated by using active market data the fair value represents quoted market prices at the reporting date without any deduction for transaction costs. The estimated fair values of all other financial assets (except for cash on hand) and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The following table provides an analysis of financial assets and liabilities, excluding those financial instruments carried at fair value on the consolidated statement of financial position, for which discounted cash flow techniques are used to estimate their fair value:

	2012 RUB'000	**2012 RUB'000**	**2011 RUB'000**	**2011 RUB'000**
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
ASSETS				
Cash and cash equivalents	47 459 075	47 459 075	34 433 419	34 433 419
Obligatory reserves with the Central Bank of the Russian Federation	2 545 772	2 545 772	2 259 170	2 259 170
Due from credit institutions	12 520 791	12 520 791	5 301 412	5 301 412
Loans to customers	199 151 689	201 234 522	159 499 028	159 019 821
LIABILITIES				
Deposits by credit institutions	35 183 733	35 183 733	24 964 128	24 964 128
Deposits by customers	189 367 830	189 014 104	147 245 274	146 690 886
Debt securities issued	40 013 790	40 013 790	31 118 869	31 118 869

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable willing parties in an arm's length transaction. 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 main assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 14.0% (roubles) and 8.5 % (foreign currency) are used for discounting future cash flows from corporate loans
- discount rates of 17.0% (roubles) and 12.2% (foreign currency) are used for discounting future cash flows from loans to individuals
- discount rates of 10.0% (roubles) and 4.4% (foreign currency) are used for discounting future cash flows from retail deposits.

Fair value hierarchy

The Group measures fair values for financial instruments recorded on the consolidated 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 table shows 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 31 December 2012 and 2011:

31 December 2012	**Level 1 RUB'000**	**Level 2 RUB'000**	**Total RUB'000**
Financial assets at fair value through profit or loss	31 444 556	240 260	**31 684 816**
Available-for-sale securities	3 007 896	2 413 692	**5 421 588**

31 December 2011	**Level 1 RUB'000**	**Level 2 RUB'000**	**Total RUB'000**
Financial assets at fair value through profit or loss	22 515 445	352 806	**22 868 251**
Available-for-sale securities	1 342 130	661 542	**2 003 672**

The fair value of unquoted equity securities available-for-sale with a carrying value of RUB 26 006 thousand (31 December 2011: RUB 27 006 thousand) cannot be determined.

During 2012 there were no transfers of financial instruments between Level 1 and Level 2.

As at 31 December 2012 and 2011 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).

30 Events subsequent to the reporting date

In January 2013 the Bank paid out the fifth coupon in the amount of RUB 94.74 million or RUB 47.37 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 January 2013 the Bank bought back 599 738 bonds series 07 (30.0%) from their holders based on a put option at the price of 100% of par value, and then sold 599 738 bonds on the market at the price of RUB 602 826 thousand. The par value of each bond is RUB 1 000.

In February 2013 the Bank placed a Loan Participation Notes issue in the total amount of USD 500 million with a fixed coupon rate of 7.7% p.a. at par and maturity of 5 years.

In February 2013 the Bank paid out the fourth coupon in the amount of RUB 128.55 million or RUB 42.85 per bond on exchange bonds series BO-01. The issue was placed on 22 February 2011 in the amount of RUB 3 billion with a maturity of 3 years.

In February 2013 the Bank placed its domestic subordinated bond issue series 12 with a nominal value of RUB 2 billion with a 5.5-year maturity at MICEX.

In March 2013 the Bank bought back 1 003 307 exchange bonds series BO-01 (33.4%) from their holders based on a put option at the price of 100% of par value, and then sold 1 003 307 bonds on the market at the price of RUB 1 003 811 thousand. The par value of each bond is RUB 1,000.

In March 2013 international rating agency Standard and Poor's revised its outlook on the Bank's ratings from stable to positive. The Bank's 'B+/B' long and short-term counterparty credit ratings and the 'ruA+' Russia national scale rating were affirmed.

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass