



CENTER-INVEST BANK GROUP

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information (Unaudited)

30 June 2013

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Center-invest Bank Group
Consolidated Condensed Interim Statement of Financial Position (Unaudited)

	Note	30 June 2013	30 June 2012	31 December 2012
<i>In thousands of Russian Roubles</i>				
ASSETS				
Cash and cash equivalents		6 912 137	5 951 807	7 005 707
Mandatory cash balances with the Central Bank of the Russian Federation		648 115	525 155	552 854
Trading securities		1 722 001	465 905	1 682 658
Other securities at fair value through profit or loss		5 997	5 997	5 997
Due from other banks		1 850 300	2 801 525	1 304 576
Loans and advances to customers	6	57 248 968	46 024 284	47 762 355
Finance lease receivables	7	718 943	565 440	643 094
Investment in associate		332 766	319 199	332 766
Intangible assets		298 762	325 598	309 979
Premises and equipment		2 511 528	2 624 974	2 530 490
Other financial assets		304 128	322 516	281 211
Other assets		291 963	381 635	260 150
TOTAL ASSETS		72 845 608	60 314 035	62 671 837
LIABILITIES				
Due to other banks		527 798	299 466	730 972
Customer accounts	8	46 495 138	40 338 800	44 062 862
Debt securities in issue	9	9 447 303	6 469 871	4 896 259
Borrowings from international financial institutions		5 596 360	3 452 014	3 070 200
Subordinated debt		1 975 569	1 981 646	1 834 138
Other financial liabilities		130 296	209 150	173 375
Deferred income tax liability		226 557	261 242	204 456
Other liabilities		428 715	272 980	106 300
TOTAL LIABILITIES		64 827 736	53 285 169	55 078 562
EQUITY				
Share capital		1 258 709	1 258 709	1 258 709
Share premium		1 646 428	1 646 428	1 646 428
Revaluation reserve for premises and equipment		1 356 247	1 376 454	1 356 247
Retained earnings		3 756 488	2 747 275	3 331 891
TOTAL EQUITY		8 017 872	7 028 866	7 593 275
TOTAL LIABILITIES AND EQUITY		72 845 608	60 314 035	62 671 837

26 August 2013

Y.Y. Bogdanov
Deputy Chairman of the Board



T.I. Ivanova
Chief Accountant

Center-invest Bank Group
Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
<i>In thousands of Russian Roubles</i>				
Interest income	10	3 834 867	3 127 893	6 494 937
Interest expense	10	(1 904 544)	(1 388 968)	(3 045 572)
Net interest income		1 930 323	1 738 925	3 449 365
Provision for impairment on loans and advances and finance lease receivables	6,7	(519 814)	(552 952)	(888 460)
Net interest income after impairment provisions		1 410 509	1 185 973	2 560 905
Fee and commission income		430 159	412 069	895 566
Fee and commission expense		(104 180)	(97 286)	(208 854)
(Losses less gains)/gains less losses from trading securities		(3 397)	15 271	22 528
Gains less losses from trading in foreign currencies		23 845	35 717	66 358
Foreign exchange translation gains less losses		43 916	42 447	40 455
Losses less gains from conversion operations on the interbank market		(33 774)	(53 604)	(32 986)
Gains less losses from assignment of the rights of claim		99 152	42 495	80 962
Other provisions		(40 050)	11 074	(58 605)
Other operating income		26 935	39 020	74 546
Contributions to the state deposit insurance scheme		(66 691)	(56 877)	(117 069)
Administrative and other operating expenses		(928 464)	(859 234)	(1 900 369)
Share of profit of associate		-	-	39
Profit before tax		857 960	717 065	1 423 476
Income tax expense		(182 612)	(170 037)	(322 861)
Profit for the year		675 348	547 028	1 100 615
Other comprehensive income				
Revaluation of premises and equipment		-	-	-
Revaluation of premises and equipment of the associate		-	-	13 528
Income tax recorded directly in other comprehensive income		-	-	(2 706)
Other comprehensive income for the period		-	-	10 822
Total comprehensive income for the period		675 348	547 028	1 111 437

Center-invest Bank Group
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities		
Interest received	3 660 298	2 964 151
Finance income arising from leasing	64 354	50 534
Interest paid	(1 831 733)	(1 335 039)
Fees and commissions received	439 364	420 506
Fees and commissions paid	(100 995)	(92 072)
Losses less gains paid from trading securities	(28 936)	(8 024)
Net income received from trading in foreign currencies	23 845	35 717
Losses less gains from conversion operations on the interbank market	(33 689)	(53 610)
Income received from assignment of the rights of claim	240 486	55 543
Other operating income received	26 982	46 986
Contributions to the state deposit insurance scheme	(63 226)	(55 061)
Staff costs	(540 124)	(464 533)
Operating expenses paid	(253 349)	(277 392)
Income tax paid	(129 709)	(120 518)
Cash flows from operating activities before changes in operating assets and liabilities	1 473 568	1 167 188
Changes in operating assets and liabilities		
Net decrease/(increase) in mandatory cash balances with the CBRF	(95 261)	(41 064)
Net decrease/(increase) in trading securities	15 386	518 461
Net decrease/(increase) in due from other banks	(545 943)	(789 311)
Net decrease/(increase) in loans and advances to customers	(9 874 391)	(4 457 298)
Net decrease/(increase) in finance lease receivables	(83 778)	(43 762)
Net decrease/(increase) in other assets	(15 475)	(60 368)
Net increase/(decrease) in due to other banks	(194 306)	203 676
Net increase/(decrease) in customer accounts	2 218 078	1 298 093
Net increase/(decrease) in promissory notes issued	848 917	175 771
Net increase/(decrease) in other liabilities	(60 264)	4 864
Net cash used in operating activities	(6 313 469)	(2 023 750)
Cash flows from investing activities		
Acquisition of premises and equipment	(56 529)	(25 767)
Proceeds from sale of premises and equipment	1 954	7 342
Acquisition of intangible assets	(7 164)	(14 063)
Net cash used in investing activities	(61 739)	(32 488)
Cash flows from financing activities		
Issue of bonds	3 681 921	2 907 000
Repurchase and repayment of bonds	(21 900)	(364 772)
Borrowings from international financial institutions	3 170 772	1 425 000
Repayment of borrowings from international financial institutions	(707 186)	(629 927)
Net cash from financing activities	6 123 607	3 337 301
Effect of exchange rate changes on cash and cash equivalents	158 031	19 782
Net increase/(decrease) in cash and cash equivalents	(93 570)	1 300 845
Cash and cash equivalents as at the beginning of the year	7 005 707	4 650 962
Cash and cash equivalents as at the end of the Period	6 912 137	5 951 807

The notes set out on pages 5 to 26 form an integral part of these consolidated condensed interim financial information.

Center-invest Bank Group
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

	Note	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>						
Balance at 1 January 2012		1 258 709	1 646 428	1 377 608	2 403 314	6 686 059
Profit for six months ended 30 June 2012		-	-	-	547 028	547 028
Other comprehensive income		-	-	-	-	-
Total comprehensive income for six months ended 30 June 2012		-	-	-	547 028	547 028
Dividends declared:						
- ordinary shares	11	-	-	-	(186 122)	(186 122)
- preference shares	11	-	-	-	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings		-	-	(1 154)	1 154	-
Balance at 30 June 2012		1 258 709	1 646 428	1 376 454	2 747 275	7 028 866
Balance at 1 January 2013		1 258 709	1 646 428	1 356 247	3 331 891	7 593 275
Profit for six months ended 30 June 2013		-	-	-	675 348	675 348
Other comprehensive income		-	-	-	-	-
Total comprehensive income for six months ended 30 June 2013		-	-	-	675 348	675 348
Dividends declared:						
- ordinary shares	11	-	-	-	(232 652)	(232 652)
- preference shares	11	-	-	-	(18 099)	(18 099)
Balance at 30 June 2013		1 258 709	1 646 428	1 356 247	3 756 488	8 017 872

1. Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2013 OJSC CB «Center-invest» (the "Bank") and its 100% subsidiary LLC Center-Leasing (the "Group").

This consolidated condensed interim financial information has been reviewed, not audited.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

Principal activity. The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 30 June 2013 the Bank has nine (31 December 2012: nine, 30 June 2012: nine) branches within the Russian Federation. Additionally, the Bank has representative offices in Moscow, London and 106 (31 December 2012: 109, 30 June 2012: 109) sub-branches in the Rostov, Volgograd, Stavropol and Krasnodar regions.

Registered address and place of business. The Bank's registered address is: 62 Sokolova street, Rostov-on-the Don, Russian Federation, 344000.

The average number of the Group's employees during six months ended 30 June 2013 was 1 539 (2012: 1 420, six months ended 30 June 2012: 1 390).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated.

2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. It is also quite sensitive to fluctuations of oil and gas prices. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation (Note 33).

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period, and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

The Bank operates primarily in the South of Russia. Due to a diversified economic structure by industry the South of Russia demonstrates more dynamic and stable development trends than other Russian regions. The growth rate demonstrated by the main industry of the region - agriculture - significantly exceeds Russia's average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium enterprises.

3. Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2012.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2012, became effective for the Group from 1 January 2013.

These new or amended standards had an impact on presentation and disclosures. The amendments to IAS 1, “Presentation of Financial Statements”, require us to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. Implementation of IFRS 13, “Fair Value Measurement”, resulted in additional disclosures about fair values of financial instruments.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

Estimates and judgements were consistent with those made in the annual financial statements for the year ended 31 December 2012:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 301 858 thousand (2012: 298 036 thousand, six months ended 30 June 2012: 299 381 thousand).

Revaluation of premises and equipment. Given the absence of a highly liquid market for non-residential premises and land in Rostov, the Rostov Region and other regions of the South of Russia, the Bank and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of land had increased by 10%, the carrying value of land would have increased by RR 52 770 thousand (31 December 2012: 52 770 thousand, 30 June 2012: 52 991 thousand). If the price per square meter of buildings had increased by 10%, the carrying value of building would have increased by RR 187 335 thousand (31 December 2012: 187 275 thousand, 30 June 2012: 193 628 thousand).

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations.

5. New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2014 or later and which the Group has not early adopted:

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

The Group has also not early adopted any of the new standards and interpretations disclosed in the 'New Accounting Pronouncements' note in its last annual financial statements and effective for its annual periods beginning on or after 1 January 2014.

6. Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Loans to small and medium size enterprises (SME loans)	26 290 200	21 090 737	21 369 021
Corporate loans	11 480 849	11 057 908	10 265 442
Loans to individuals - consumer loans and car loans	14 179 561	9 997 672	11 638 510
Mortgage loans	8 316 936	6 871 780	7 469 744
Total loans and advances to customers (before impairment)	60 267 546	49 018 097	50 742 717
Less: Provision for loan impairment	(3 018 578)	(2 993 813)	(2 980 362)
Total loans and advances to customers	57 248 968	46 024 284	47 762 355

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Provision for loan impairment as at 1 January	2 980 362	2 755 088	2 755 088
Provision for impairment during the year	513 173	536 842	884 963
Recovery of provision on reassigned rights of claim	(133 333)	(43 649)	(192 979)
Amounts written off during the year as uncollectible	(341 624)	(254 468)	(466 710)
Provision for loan impairment as at End of period	3 018 578	2 993 813	2 980 362

During six months ended 30 June 2013, the Group assigned the rights of claim on past due and impaired loans in the total amount of RR 274 668 thousand (2012: RR 407 381 thousand; six months ended 30 June 2012: thousand) for the total consideration of RR 91 101 thousand). The Group's gain on assignment of the rights of claim on these loans in the amount of RR 98 651 thousand (2012: RR 80 962 thousand; six months ended 30 June 2012: thousand) for the total consideration of RR 42 495 thousand) was recorded in the consolidated statement of comprehensive income.

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013		30 June 2012		31 December 2012	
	Amount	%	Amount	%	Amount	%
Individuals (total), incl.	22 496 497	37.3	16 869 452	34.4	19 108 254	37.7
- consumer loans	12 768 344	21.2	8 783 512	17.9	10 427 945	20.6
- mortgage loans	8 316 936	13.8	6 871 780	14.0	7 469 744	14.7
- car loans	1 411 217	2.3	1 214 160	2.5	1 210 565	2.4
Agriculture	10 158 606	16.9	8 753 967	17.9	7 943 839	15.7
Trade	9 165 604	15.2	8 001 119	16.3	8 309 004	16.3
Manufacturing	7 457 968	12.4	4 790 918	9.8	5 687 423	11.2
Construction	3 370 293	5.6	3 577 835	7.3	2 985 631	5.9
Transport	3 430 785	5.7	3 176 043	6.5	2 830 367	5.6
Energy	441 667	0.7	1 271 681	2.6	986 905	1.9
Financial companies	278 081	0.4	390 638	0.8	309 651	0.6
Real estate	107 767	0.2	55 377	0.1	94 309	0.2
Other	3 360 278	5.6	2 131 067	4.3	2 487 334	4.9
Total loans and advances to customers (before impairment)	60 267 546	100.0	49 018 097	100.0	50 742 717	100.0

As at 30 June 2013, the Group's 10 largest borrowers had aggregate loan balances (including finance lease investments) of RR 9 580 733 thousand, or 15.7% of the loan portfolio and finance lease receivables before impairment (31 December 2012: RR 8 646 901 thousand, or 16.8%; 30 June 2012: RR 8 316 301 thousand, or 16.8%).

At 30 June 2013, the estimated fair value of loans and advances to customers was RR 57 598 285 thousand (31 December 2012: RR 47 323 936 thousand; 30 June: RR 45 440 422 thousand). Refer to Note 16. Information on related party balances is disclosed in Note 17.

7. Finance Lease Receivables

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Total investments in finance lease	886 230	710 795	799 682
Less: Unearned future finance income	(151 516)	(115 679)	(132 987)
Less: Provision for impairment	(15 771)	(29 676)	(23 601)
Total finance lease receivables	718 943	565 440	643 094

Movements in the provision for uncollectible finance lease receivables are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Provision for impairment of finance lease receivables as at 1 January	23 601	21 812	21 812
Provision for/(recovery of) impairment of finance lease receivables during the period	6 641	16 110	3 497
Amounts written off during the year as uncollectible and provision utilised on selling assets	(14 471)	(8 246)	(1 708)
Provision for impairment of finance lease receivables as at End of period	15 771	29 676	23 601

At 30 June 2013, the estimated fair value of finance lease receivable amounted to RR 715 402 thousand (31 December 2012: RR 645 343 thousand; 30 June: RR 569 510 thousand). Refer to Note 16.

8. Customer Accounts

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
<i>State and public organisations</i>			
- Current/settlement accounts	1 117 132	1 105 929	723 289
- Term deposits	5 297	82 014	2 527
<i>Other legal entities</i>			
- Current/settlement accounts	8 111 207	7 492 479	9 834 559
- Term deposits	2 144 159	1 842 547	1 268 149
<i>Individuals</i>			
- Current/demand accounts	4 132 803	3 565 176	4 139 362
- Term deposits	30 984 540	26 250 655	28 094 976
Total customer accounts	46 495 138	40 338 800	44 062 862

At 30 June 2013 the total aggregate balance of 10 largest clients of the Group was RR 4 485 187 thousand or 9.6% of customer accounts (31 December 2012: RR 2 924 150 thousand, or 6.6%; 30 June 2012: RR 3 729 458 thousand, or 9.2%).

Carrying value of each class of customer accounts approximates fair value at 30 June 2013, 31 December 2012 and 30 June 2012. Refer to Note 16. Information on related party balances is disclosed in Note 17.

9. Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Bonds	8 070 168	6 274 181	4 336 093
Promissory notes	1 377 135	195 690	560 166
Total debt securities in issue	9 447 303	6 469 871	4 896 259

Each bond has par value of RR 1 000 and an embedded put option at par value and exercisable at the moment of coupon income change.

Выпуск	CINBO-02	CINBO-BO1	CINBO-BO5	CINBO-B02	CINBO-BO6	CINBO-BO3
Par value, RR	1 000	1 000	1 000	1 000	1 000	1 000
Quantity	3 000 000	1 500 000	1 000 000	1 500 000	1 000 000	1 500 000
Initial placement date	June 2009	June 2011	June 2011	April 2012	March 2013	March 2013
Maturity	June 2014	June 2014	June 2014	April 2015	March 2016 September 2014	March 2016 September 2014
Next offer date	June 2013	December 2013	December 2013	April 2013		
As at 30 June 2013						
Number of bonds in issue	2 476 585	1 025 452	469 005	1 500 000	1 000 000	1 500 000
- including repurchased by subsidiary	0	3	1	66	0	0
Coupon rate, %	9.40	9.70	9.70	10.20	10.25	10.25
Bid price, RR	1000.0	1001.5	1001.5	1010.0	1005.0	1005.0
As at 31 June 2012						
Number of bonds in issue	2 538 444	1 500 000	1 000 000	1 500 000	-	-
- including repurchased by subsidiary	0	149 698	123 689	16 771	-	-
Coupon rate, %	10.40	8.40	8.40	9.70	-	-
Bid price, RR	1002.5	996.0	996.0	990.6	-	-
As at 30 December 2012						
Number of bonds in issue	2 696 444	272 534	70 002	1 500 000	-	-
- including repurchased by subsidiary	160 684	0	0	67 345	-	-
Coupon rate, %	10.40	9.70	9.70	9.70	-	-
Bid price, RR	1005.5	1000.0	999.0	1001.2	-	-

In March 2013 the Bank placed at MISEX two new issues BO-03 and BO-06 in total amount 2 500 000 with maturity in March 2016. As at 30 June 2013 coupon rate was 10.25% p.a.

In April 2013, the Bank fully met claims of CINBO-B02 bond holders who exercised their embedded put options and repurchased bonds of RR 30 000 thousand at par. As at 30 June 2013 coupon rate was 10.2% p.a.

In June 2013, the Bank fully met claims of CINBO-02 bond holders who exercised their embedded put options and repurchased bonds of RR 219 859 thousand at par.

The put option is regarded as closely related to the bonds issued, therefore, not accounted as a separate derivative.

During six months ended 30 June 2013 the bonds of BO-01 and BO-05 in total amount of 913 005 were newly placed after the repurchase.

At 30 June 2013, the estimated fair value of debt securities in issue amounted to RR 9 483 109 thousand (31 December 2012: RR 4 920 411 thousand; 30 June: RR 6 464 375 thousand). Refer to Note 16.

10. Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Interest income			
Loans and advances to enterprises	2 255 211	1 940 157	3 900 117
Loans and advances to individuals	1 419 852	1 086 262	2 326 447
Debt trading securities	74 438	23 139	51 345
Finance income arising from leasing	64 817	51 998	117 616
Due from other banks, accounts with other banks	20 549	26 337	99 412
Total interest income	3 834 867	3 127 893	6 494 937
Interest expense			
Term deposits of individuals	1 227 114	924 615	1 967 484
Bonds issued	314 617	202 305	481 584
Borrowings from international financial institutions, subordinated debt and other banks	276 408	188 177	418 229
Term deposits of legal entities	43 298	38 262	100 464
Current accounts of legal entities	24 010	27 568	54 825
Promissory notes issued	19 097	8 041	22 986
Total interest expense	1 904 544	1 388 968	3 045 572
Net interest income	1 930 323	1 738 925	3 449 365

11. Dividends

<i>In thousands of Russian Roubles</i>	30 June 2013		31 December 2012	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January	-	-	-	-
Dividends declared during the period	232 652	18 099	186 122	18 099
Dividends paid during the period	-	-	(186 122)	(18 099)
Dividends payable	232 652	18 099	-	-

In June 2013 the Bank declared and paid dividends on preference shares with nominal value of RR 1 000 – RR 200 per share (2012: RR 200 per share) and on preference shares with nominal value of RR 4 – RR 0.8 per share (2012: RR 0.8 per share). In June 2013 the Bank declared and paid dividends on ordinary shares - RR 3 per share (2012: RR 2.4 per share).

The payment of dividends for 2012 was made in July 2013 (for 2011: in July 2012). All dividends are declared and paid in Russian Rubles.

12. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of chief operating decision maker (CODM) are performed by the Management Board of the Bank.

Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of main business segments:

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customer, deposits, investment savings products, custody, credit and debit cards, municipal payments.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment – retail banking.

In addition, the Bank's Management Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

Measurement of operating segment profit or loss, assets and liabilities

The Management Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- for operating decisions standalone information not adjusted for statutory subsequent events;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
- income on impaired loans is not recognised;
- commission income related to lending and commission expenses on borrowings is recognised immediately rather than deferred using the effective interest method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- the fair value of trading securities portfolio is determined based on average market price other than last bid market price; and
- funds are generally reallocated between segments ignoring internal interest rates.

The Management Board evaluates performance of each segment based on profit before tax.

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the six months ended 30 June 2013 year is set out below:

<i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
Six months ended 30 June 2013				
<i>External revenues:</i>				
- Interest income	3 467 471	99 574	5 243	3 572 288
- Fee and commission income and other operating income	217 447	254 672	197 796	669 915
- Gains less losses from trading securities	-	4 647	-	4 647
Total revenues	3 684 918	358 893	203 039	4 246 850
Interest expense	-	(675 931)	(1 230 225)	(1 906 156)
Provision for impairment	(465 800)	387	(876)	(466 289)
Fee and commission expenses and other expenses	(47 701)	(58 999)	(45 379)	(152 079)
Segment result	3 171 417	(375 650)	(1 073 441)	1 722 326
Total reportable segment assets	57 948 130	4 916 559	-	62 864 689
Total reportable segment liabilities	-	(28 809 827)	(34 862 412)	(63 672 239)

Segment information for the reportable segments for the six months ended 30 June 2012 year is set out below:

<i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
Six months ended 30 June 2012				
<i>External revenues:</i>				
- Interest income	2 816 403	49 468	3 766	2 869 637
- Fee and commission income and other operating income	260 984	231 176	193 679	685 839
- Gains less losses from trading securities	-	6 668	-	6 668
Total revenues	3 077 387	287 312	197 445	3 562 144
Interest expense	-	(518 873)	(928 429)	(1 447 302)
Provision for impairment	(508 713)	(1 128)	(82)	(509 923)
Fee and commission expenses and other expenses	(11 682)	(36 506)	(36 208)	(84 396)
Segment result	2 556 992	(273 062)	(767 274)	1 516 656
Total reportable segment assets	46 817 932	4 311 805	-	51 129 737
Total reportable segment liabilities	-	(22 967 432)	(29 516 411)	(52 483 843)

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

<i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
2012				
<i>External revenues:</i>				
- Interest income	5 905 308	151 527	7 595	6 064 430
- Fee and commission income and other operating income	450 302	527 321	404 234	1 381 857
- Gains less losses from trading securities	-	16 833	-	16 833
Total revenues	6 355 610	695 681	411 829	7 463 120
Interest expense	-	(1 134 261)	(1 974 561)	(3 108 822)
Provision for impairment	(549 462)	(2 107)	(83)	(551 652)
Fee and commission expenses and other expenses	(132 047)	(85 346)	(79 170)	(296 563)
Segment result	5 674 101	(526 033)	(1 641 985)	3 506 083
Total reportable segment assets	48 805 606	4 031 125	-	52 836 731
Total reportable segment liabilities	-	(22 555 152)	(32 044 702)	(54 599 854)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Total revenues for reportable segments	4 246 850	3 562 144	7 463 120
Accrual method application to fee and commission income	30 226	56 045	66 383
Application of IAS 17 on finance lease	3 855	(2 984)	(1 646)
Fair value of trading securities portfolio recalculation	(7 339)	(3 268)	33 459
Recognition of interest income on impaired loans	64 901	62 149	95 906
Consolidation effect	(6 361)	(49 215)	(62 078)
Other	126 742	92 869	80 247
Total consolidated revenues	4 458 874	3 717 740	7 675 391

Total consolidated revenues comprise interest income, fee and commission income and other income.

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Total reportable segment result	1 722 326	1 516 656	3 506 083
Administrative expenses	(962 439)	(879 963)	(1 944 552)
Application of effective interest rate method	43 461	62 225	67 653
Application of IAS 17 on finance lease	3 855	(2 984)	(1 646)
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	(15 453)	(3 262)	33 459
Recognition of interest income on impaired loans	64 901	62 149	95 906
Recognition of loan loss provision	79 004	48 249	(166 571)
Consolidation effect	1 663	12 691	23 578
Events after the end of the reporting period	(52 487)	(48 998)	(71 673)
Depreciation/amortisation recalculation	(13 495)	(17 034)	(47 188)
Other	(13 376)	(32 664)	(71 573)
Profit before tax	857 960	717 065	1 423 476

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Total reportable segment assets	62 864 689	51 129 737	52 836 731
Unallocated assets	9 757 452	9 218 395	10 016 446
Recognition of loan loss provision	239 761	278 733	77 275
Recognition of interest income on impaired loans	327 527	299 092	312 087
Application of effective interest rate method to fee and commission income	(309 474)	(352 215)	(342 652)
Finance lease adjustments	(208 761)	(127 668)	(181 723)
Fair value of trading securities portfolio recalculation	(6 278)	(696)	1 751
Consolidation effect	305 591	(27 805)	64 926
Other	(124 899)	(103 538)	(113 004)
Total consolidated assets	72 845 608	60 314 035	62 671 837

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Total reportable segment liabilities	63 672 239	52 483 843	54 599 854
Unallocated liabilities	1 247 259	1 190 818	812 249
Application of effective interest rate method to fee and commission expenses	(52 593)	(44 268)	(39 358)
Consolidation effect	(39 169)	(345 224)	(291 738)
Other	-	-	(2 445)
Total consolidated liabilities	64 827 736	53 285 169	55 078 562

Geographical information

The Group operates only in the Southern Federal District of the Russian Federation. Below is income as at six months ended 30 June 2013, six months ended 30 June 2012 and year ended 31 December 2012:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013	Six months ended 30 June 2012	2012
Rostov region	3 221 852	2 841 041	5 843 849
Krasnodar Krai	582 489	393 592	848 929
Stavropol region and Volgograd region	319 492	276 689	576 439
External market operations	123 017	50 822	193 903
Total revenues for reportable segments	4 246 850	3 562 144	7 463 120

The analysis is based on domicile of the customer.

Major customers

The Group does not have customers, revenues from which represent 10% or more of the total revenues.

13. Financial Risk Management

The liquidity position of the Group as at 30 June 2013 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
Assets								
Cash and cash equivalents	6 912 137	-	-	-	-	-	-	6 912 137
Mandatory cash balances with the CBRF	648 115	-	-	-	-	-	-	648 115
Trading securities	1 722 001	-	-	-	-	-	-	1 722 001
Other securities at fair value through profit or loss	-	-	-	-	-	-	5 997	5 997
Due from other banks	1 850 300	-	-	-	-	-	-	1 850 300
Loans and advances to customers	1 374 004	4 140 154	7 642 851	10 102 273	26 260 913	7 728 773	-	57 248 968
Finance lease receivables	38 061	65 040	90 510	156 901	368 431	-	-	718 943
Investment in associate	-	-	-	-	-	-	332 766	332 766
Intangible assets	-	-	-	-	-	-	298 762	298 762
Premises and equipment	-	-	-	-	-	-	2 511 528	2 511 528
Other financial assets	179 476	15 696	2 936	36 353	69 667	-	-	304 128
Other assets	24 679	84 449	9 082	42 691	131 062	-	-	291 963
Total assets	12 748 773	4 305 339	7 745 379	10 338 218	26 830 073	7 728 773	3 149 053	72 845 608
Liabilities								
Due to other banks	9 355	-	124	-	518 319	-	-	527 798
Customer accounts	15 272 163	2 421 059	2 166 664	3 407 955	23 227 297	-	-	46 495 138
Debt securities in issue	98 084	695 019	2 179 597	2 476 896	3 997 707	-	-	9 447 303
Borrowings from international financial institutions	52 824	292 380	417 200	1 238 590	3 494 841	100 525	-	5 596 360
Subordinated debt	84 079	-	98 824	163 253	-	1 629 413	-	1 975 569
Other financial liabilities	82 770	9 282	4 524	11 824	21 896	-	-	130 296
Deferred income tax liability	-	-	-	-	-	-	226 557	226 557
Other liabilities	397 399	12 372	30	12 303	6 611	-	-	428 715
Total liabilities	15 996 674	3 430 112	4 866 963	7 310 821	31 266 671	1 729 938	226 557	64 827 736
Net liquidity gap	(3 247 901)	875 227	2 878 416	3 027 397	(4 436 598)	5 998 835	2 922 496	8 017 872
Cumulative liquidity gap as at 30 June 2013	(3 247 901)	(2 372 674)	505 742	3 533 139	(903 459)	5 095 376	8 017 872	
Cumulative liquidity gap as at 30 June 2013 (30% of customer accounts are permanent)	1 333 748	2 935 293	6 463 708	10 513 491	13 045 082	19 043 917	8 017 872	

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The liquidity position of the Group as at 30 June 2012 is set out below:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
Assets								
Cash and cash equivalents	5 951 807	-	-	-	-	-	-	5 951 807
Mandatory cash balances with the CBRF	525 155	-	-	-	-	-	-	525 155
Trading securities	465 905	-	-	-	-	-	-	465 905
Other securities at fair value through profit or loss	-	-	-	-	-	-	5 997	5 997
Due from other banks	2 800 525	-	-	-	1 000	-	-	2 801 525
Loans and advances to customers	1 415 855	4 485 806	7 502 803	9 134 484	18 671 889	4 813 447	-	46 024 284
Finance lease receivables	29 460	51 794	76 728	133 932	273 526	-	-	565 440
Investment in associate	-	-	-	-	-	-	319 199	319 199
Intangible assets	-	-	-	-	-	-	325 598	325 598
Premises and equipment	-	-	-	-	-	-	2 624 974	2 624 974
Other financial assets	197 511	11 577	2 630	35 063	45 735	30 000	-	322 516
Other assets	99 222	71 277	24 514	37 546	149 076	-	-	381 635
Total assets	11 485 440	4 620 454	7 606 675	9 341 025	19 141 226	4 843 447	3 275 768	60 314 035
Liabilities								
Due to other banks	80 055	-	84	201 606	17 721	-	-	299 466
Customer accounts	13 161 524	3 584 313	3 223 065	3 584 272	16 785 626	-	-	40 338 800
Debt securities in issue	185 704	-	2 524 376	3 759 791	-	-	-	6 469 871
Borrowings from international financial institutions	-	298 587	340 783	696 001	2 116 643	-	-	3 452 014
Subordinated debt	-	-	20 470	-	327 508	1 633 668	-	1 981 646
Other financial liabilities	147 822	25 370	2 037	10 945	22 976	-	-	209 150
Deferred income tax liability	-	-	-	-	-	-	261 242	261 242
Other liabilities	239 769	21 148	30	12 033	-	-	-	272 980
Total liabilities	13 814 874	3 929 418	6 110 845	8 264 648	19 270 474	1 633 668	261 242	53 285 169
Net liquidity gap	(2 329 434)	691 036	1 495 830	1 076 377	(129 248)	3 209 779	3 014 526	7 028 866
Cumulative liquidity gap as at 30 June 2012	(2 329 434)	(1 638 398)	(142 568)	933 809	804 561	4 014 340	7 028 866	-
Cumulative liquidity gap as at 30 June 2012 (30% of customer accounts are permanent)	1 619 023	3 385 353	5 848 103	7 999 761	12 906 201	16 115 980	7 028 866	-

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The currency position of the Group as at 30 June 2013 is set out below:

	RR	USD	Euro	Others	Total
Assets					
Cash and cash equivalents	4 275 695	1 210 994	1 398 555	26 893	6 912 137
Mandatory cash balances with the CBRF	648 115	-	-	-	648 115
Trading securities	1 722 001	-	-	-	1 722 001
Other securities at fair value through profit or loss	5 997	-	-	-	5 997
Due from other banks	1 850 300	-	-	-	1 850 300
Loans and advances to customers	53 674 672	3 319 100	255 196	-	57 248 968
Finance lease receivables	703 424	-	15 519	-	718 943
Other assets	296 272	4 585	3 271	-	304 128
Total financial assets	63 176 476	4 534 679	1 672 541	26 893	69 410 589
Other assets	3 435 019				3 435 019
Total assets	66 611 495	4 534 679	1 672 541	26 893	72 845 608
Liabilities					
Due to other banks	509 356	-	18 442	-	527 798
Customer accounts	43 862 635	1 885 866	728 554	18 083	46 495 138
Debt securities in issue	9 447 303	-	-	-	9 447 303
Borrowings from international financial institutions	4 778 549	393 295	424 516	-	5 596 360
Subordinated loan	-	1 975 569	-	-	1 975 569
Other financial liabilities	123 671	4 183	2 357	-	130 211
Total financial liabilities	58 721 514	4 258 913	1 173 869	18 083	64 172 379
Other liabilities	655 272				655 272
Total liabilities	59 376 786	4 258 913	1 173 869	18 083	64 827 651
Off-balance sheet net notional position	743 873	(261 672)	(482 286)	-	(85)
Net open currency position	7 978 582	14 094	16 386	8 810	8 017 872
Credit related commitments	1 936 914	16 093	12 578	-	1 965 585

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The currency position of the Group as at 30 June 2012 is set out below:

	RR	USD	Euro	Others	Total
Assets					
Cash and cash equivalents	4 225 999	1 339 232	315 778	70 798	5 951 807
Mandatory cash balances with the CBRF	525 155	-	-	-	525 155
Trading securities	354 640	-	111 265	-	465 905
Other securities at fair value through profit or loss	5 997	-	-	-	5 997
Due from other banks	2 801 525	-	-	-	2 801 525
Loans and advances to customers	42 300 836	3 364 099	359 349	-	46 024 284
Finance lease receivables	538 103	10 234	17 103	-	565 440
Other assets	316 167	1 884	4 459	-	322 510
Total financial assets	51 068 422	4 715 449	807 954	70 798	56 662 623
Other assets	3 651 406				3 651 406
Total assets	54 719 828	4 715 449	807 954	70 798	60 314 029
Liabilities					
Due to other banks	277 285	-	22 181	-	299 466
Customer accounts	37 655 401	1 839 182	782 198	62 019	40 338 800
Debt securities in issue	6 469 871	-	-	-	6 469 871
Borrowings from international financial institutions	2 610 304	841 710	-	-	3 452 014
Subordinated loan	-	1 981 646	-	-	1 981 646
Other financial liabilities	195 442	11 506	2 202	-	209 150
Total financial liabilities	47 208 303	4 674 044	806 581	62 019	52 750 947
Other liabilities	534 222				534 222
Total liabilities	47 742 525	4 674 044	806 581	62 019	53 285 169
Off-balance sheet net notional position	(29 164)	22 972	6 198	-	6
Net open currency position	6 948 139	64 377	7 571	8 779	7 028 866
Credit related commitments	1 226 498	21 780	4 132	-	1 252 410

14. Analysis of Risk-based Capital

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
<i>Tier 1 capital</i>			
Share capital	1 258 709	1 258 709	1 258 709
Share premium	1 646 428	1 646 428	1 646 428
Retained Earnings	3 756 488	2 747 275	3 331 891
Total tier 1 capital	6 661 625	5 652 412	6 237 028
<i>Tier 2 capital</i>			
Revaluation reserve for premises and equipment	1 356 247	1 376 454	1 356 247
Subordinated debt	1 662 162	1 733 279	1 573 812
Total tier 2 capital	3 018 409	3 109 733	2 930 059
Total capital	9 680 034	8 762 145	9 167 087
Risk-Weighted Assets	62 502 592	49 680 984	52 700 569
Capital Adequacy Ratio	15.5%	17.6%	17.4%

15. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 30 June 2013, the Group was engaged in litigation proceedings in relation to claims from borrowers and leasees. A provision of RR 6 835 thousand (30 June 2012 r.: 2 133 thousand; 31 December 2012 r.: 6 835 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. 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 of the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by cash deposits and therefore carry less risk than a direct borrowing.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Guarantees issued	1 965 585	1 252 410	1 521 724
Import documentary letters of credit	-	-	9 027
Total credit related commitments	1 965 585	1 252 410	1 530 751

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 39 980 thousand at 30 June 2012 (30 June 2012: 36 436 thousand; 31 December 2012: 32 641 thousand). Credit related commitments are denominated in currencies as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
Russian roubles	1 936 914	1 226 498	1 499 180
US dollars	16 093	21 780	15 490
Euro	12 578	4 132	16 081
Total	1 965 585	1 252 410	1 530 751

The Group has loan commitments of RR 4 584 516 thousand (30 June 2012: 4 372 200 thousand; 31 December 2012: 5 693 639 thousand). All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 648 115 thousand (30 June 2012: 525 155 thousand; 31 December 2012: 552 854 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a requirement of early repayment of the loan. The Group was in compliance with all covenants as at 30 June 2013 and 30 June 2012.

At 31 December 2012, the Group did not comply with covenants regarding the ratio of impaired loans in the loan portfolio. The Bank launched negotiations with the relevant creditors regarding this situation in advance. However, by the end of the year the Bank only managed to obtain an informal confirmation to soften this covenant. The creditors signed additional agreements on cancellation of the covenant regarding the ratio of impaired loans in the loan portfolio in 2013.

16. Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013	
	Carrying value	Fair value
FINANCIAL ASSETS		
Cash and cash equivalents	6 912 137	6 912 137
Mandatory cash balances with the Central Bank of the Russian Federation	648 115	648 115
Due from other banks	1 850 300	1 850 300
Loans and advances to customers	57 248 968	57 598 285
- Loans to SME	25 251 968	25 878 520
- Corporate loans	10 500 851	10 481 449
- Loans to individuals – consumer and car loans	13 515 178	13 292 820
- Mortgage loans	7 980 971	7 945 496
Finance lease receivables	718 943	715 402
Other financial assets	304 128	304 128
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	67 682 591	68 028 367
FINANCIAL LIABILITIES		
Due to other banks	527 798	527 798
Customer accounts	46 495 138	46 495 138
Debt securities in issue	9 447 303	9 483 109
- Promissory notes	1 377 135	1 377 135
- Bonds issued on domestic market	8 070 168	8 105 974
Borrowings from international financial institutions	5 596 360	5 596 360
Subordinated debt	1 975 569	1 975 569
Other financial liabilities	90 231	90 231
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	64 132 399	64 168 205

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<i>In thousands of Russian Roubles</i>	31 December 2012	
	Carrying value	Fair value
FINANCIAL ASSETS		
Cash and cash equivalents	7 005 707	7 005 707
Mandatory cash balances with the Central Bank of the Russian Federation	552 854	552 854
Due from other banks	1 304 576	1 304 576
Loans and advances to customers	47 762 355	47 323 936
- <i>Loans to SME</i>	20 204 845	20 042 177
- <i>Corporate loans</i>	9 334 160	9 255 583
- <i>Loans to individuals – consumer and car loans</i>	11 068 158	10 854 449
- <i>Mortgage loans</i>	7 155 192	7 171 727
Finance lease receivables	643 094	645 343
Other financial assets	281 211	281 211
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	57 549 797	57 113 627
FINANCIAL LIABILITIES		
Due to other banks	730 972	730 972
Customer accounts	44 062 862	44 062 862
Debt securities in issue	4 896 259	4 920 411
- <i>Promissory notes</i>	560 166	560 166
- <i>Bonds issued on domestic market</i>	4 336 093	4 360 245
Borrowings from international financial institutions	3 070 200	3 070 200
Subordinated debt	1 834 138	1 834 138
Other financial liabilities	140 734	140 734
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	54 735 165	54 759 317

<i>In thousands of Russian Roubles</i>	30 June 2012	
	Carrying value	Fair value
FINANCIAL ASSETS		
Cash and cash equivalents	5 951 807	5 951 807
Mandatory cash balances with the Central Bank of the Russian Federation	525 155	525 155
Due from other banks	2 801 525	2 801 525
Loans and advances to customers	46 024 284	45 440 422
- <i>Loans to SME</i>	19 906 582	19 614 068
- <i>Corporate loans</i>	10 109 508	9 992 836
- <i>Loans to individuals – consumer and car loans</i>	9 399 256	9 193 838
- <i>Mortgage loans</i>	6 608 938	6 639 680
Finance lease receivables	565 440	569 510
Other financial assets	322 510	322 510
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	56 190 721	55 610 929
FINANCIAL LIABILITIES		
Due to other banks	299 466	299 466
Customer accounts	40 338 800	40 338 800
Debt securities in issue	6 469 871	6 464 375
- <i>Promissory notes</i>	195 690	195 690
- <i>Bonds issued on domestic market</i>	6 274 181	6 268 685
Borrowings from international financial institutions	3 452 014	3 452 014
Subordinated debt	1 981 646	1 981 646
Other financial liabilities	172 714	172 714
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	52 714 511	52 709 015

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows

	30 June 2013		
	Quoted price in an active market (Level 1)	Valuation technique with inputs obser- vable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)
<i>In thousands of Russian Roubles</i>			
FINANCIAL ASSETS			
Trading securities			
- Eurobonds	-	-	-
- Corporate bonds	1 672 590	-	-
- Shares of closed mutual funds	49 411	-	-
Other securities at fair value through profit or loss			
- Other	-	-	5 997
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	1 722 001	-	5 997

	31 December 2012		
	Quoted price in an active market (Level 1)	Valuation technique with inputs obser- vable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)
<i>In thousands of Russian Roubles</i>			
FINANCIAL ASSETS			
Trading securities			
- Eurobonds	109 008	-	-
- Corporate bonds	1 521 829	-	-
- Shares of closed mutual funds	51 821	-	-
Other securities at fair value through profit or loss			
- Other	-	-	5 997
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	1 682 658	-	5 997

	30 June 2012		
	Quoted price in an active market (Level 1)	Valuation technique with inputs obser- vable in markets (Level 2)	Valuation technique with significant non- observable inputs (Level 3)
<i>In thousands of Russian Roubles</i>			
FINANCIAL ASSETS			
Trading securities			
- Eurobonds	111 265	-	-
- Corporate bonds	300 304	-	-
- Shares of closed mutual funds	54 336	-	-
Other securities at fair value through profit or loss			
- Other	-	-	5 997
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	465 905	-	5 997

(c) The methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

<i>In thousands of Russian Roubles</i>	30 June 2013	30 June 2012	31 December 2012
RR			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	8.0% - 15.1%	12.1% - 16.2%	11.3% - 16.2%
Loans to individuals - consumer loans	11.6% - 16.1%	11.8% - 16.1%	11.0% - 16.3%
Loans to individuals - car loans	14.2% - 14.5%	13.1% - 15.1%	14.3% - 14.9%
Mortgage loans	9.3% - 12.5%	10.0% - 12.2%	10.0% - 12.2%
<i>Finance lease receivables</i>	18.7% - 19.8%	18.5% - 19.4%	18.2% - 19.9%
Currency			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	7.6% - 8.2%	6.0% - 9.1%	6.5% - 7.3%
Loans to individuals - consumer loans	10.0%	10.0%	10.0%
Loans to individuals - car loans	-	-	-
Mortgage loans	9.0%	9.0%	9.0%
<i>Finance lease receivables</i>	15.1%	12.1%	12.1%

17. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following significant transactions and balances with related parties:

<i>In thousands of Russian Roubles</i>	30 June 2013		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	5 584		
Gross amount of loans and advances to customers (contractual interest rate: 8% - 18%)	-	79 284	12 316
Customer accounts (contractual interest rate: 0.1% – 10%)	-	3 935	302 537
Borrowings from international financial institutions (contractual interest rate: 7% – 11%)	3 230 692	-	-
Subordinated loans (contractual interest rate: 5%)	1 646 466	-	-

	30 June 2012		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Correspondent accounts with banks	5 516		
Gross amount of loans and advances to customers (contractual interest rate: 8% - 18%)	-	78 068	14 477
Customer accounts (contractual interest rate: 0.1% – 10%)	-	62 299	367 861
Borrowings from international financial institutions (contractual interest rate: 7% – 11%)	2 299 782	-	-
Subordinated loans (contractual interest rate: 5%)	1 651 556	-	-

	31 December 2012		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Correspondent accounts with banks	5 217	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8% - 18%)	-	7 232	11 501
Customer accounts (contractual interest rate: 0.1% – 10%)	-	3 935	446 353
Borrowings from international financial institutions (contractual interest rate: 7% – 11%)	1 990 290	-	-
Subordinated loans (contractual interest rate: 5%)	1 528 611	-	-

	Six months ended 30 June 2013		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	4 120	471
Interest expense	(151 264)	-	(9 275)
Fee and commission income	-	521	-
Administrative expenses excluding management remuneration	-	-	(805)

	Six months ended 30 June 2012		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	3 122	557
Interest expense	(129 253)	(106)	(17 160)
Fee and commission income	-	495	-
Administrative expenses excluding management remuneration	-	-	(906)

	2012		
	Significant shareholders	Associate	Management and Board of Directors
<i>In thousands of Russian Roubles</i>			
Interest income	-	5 597	1 082
Interest expense	(287 150)	(106)	(29 339)
Fee and commission income	-	963	-
Administrative expenses excluding management remuneration	-	-	(1 690)

The major shareholders of the Bank are as follows:

<i>Shareholder</i>	30 June 2013		30 June 2012		31 December 2012	
	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %
European Bank for Reconstruction and Development	24.58	27.45	24.58	27.45	24.58	27.45
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	20.10	22.45	20.10	22.45	20.10	22.45
Erste Bank	9.80	9.80	9.80	9.80	9.80	9.80
Firebird funds	8.87	9.90	8.87	9.90	8.87	9.90
Vysokov Vasily Vasilievich	8.07	9.01	8.07	9.01	8.07	9.01
Vysokova Tatiana Nikolaevna	7.91	8.83	7.91	8.83	7.91	8.83
Rekha Holdings Limited	7.29	8.15	7.29	8.15	7.29	8.15

During six months ended 30 June 2013 the Group opened new credit line with European Bank for Reconstruction and Development in total amount 1 500 000 thousand. As at 30 June 2013 this credit line is fully disbursed.

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013		Six months ended 30 June 2013		2012	
	Expense	Accrued liability	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>						
- Salaries	7 498	-	6 782	-	15 363	-
- Short-term bonuses	32 195	-	21 992	19 500	54 449	-
<i>Long-term bonus scheme</i>	305	6 611	-	-	6 306	6 306
<i>Post-employment benefits</i>	-	-	326	-	326	-
Total	39 998	6 611	29 100	19 500	76 444	6 306

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

In 2013, the Board of Directors consisted of 7 persons (2012: 7 persons). As at 30 June 2013, the Group's Executive Board consisted of 3 persons (31 December 2012: 3 persons; 30 June 2012: 3 persons).