

Closed Joint Stock Company “İŞBANK”

Interim Condensed Financial Statements
for the six months ended 30 June 2013

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Report on Review of Interim Condensed Financial Information

To the Shareholder and Board of Directors of CJSC "ISBANK"

Introduction

We have reviewed the accompanying interim condensed statement of financial position of CJSC "ISBANK" (the "Company") as at 30 June 2013, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial information (the interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2013 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matters

The financial statements of the Bank as at and for the year ended 31 December 2012 were audited by other auditors whose report dated 15 February 2013 expressed an unmodified opinion on those statements.

Shevarenkov E.V.
Deputy Director
power of attorney dated 12 October 2012 No. 43/12
licence No. 01-00769
ZAO KPMG
Moscow, Russian Federation
6 September 2013



Audited entity: CLOSED JOINT STOCK COMPANY "ISBANK"

Registered by the Central Bank of Russian Federation on 22 April 1999, Registration No. 2867.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1027739066354, Certificate series 77 No. 005721805.

Address of audited entity: 13D, Nametkina st., Moscow, 117420

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.

Entered 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.

CJSC ISBANK
Interim Condensed Statement of Financial Position as at 30 June 2013
(in thousands of Russian Roubles)

	Note	30 June 2013 (unaudited)	31 December 2012
Assets			
Cash and cash equivalents	5	1 667 823	1 176 738
Mandatory reserves with the Central Bank of the Russian Federation		68 032	58 044
Financial assets at fair value through profit and loss		55	-
Loans and advances to banks		11 031	4 055
Loans to customers	6	3 277 582	2 551 712
Financial assets available-for-sale	7	1 740 204	1 692 531
Premises and equipment		720 535	710 431
Investment property		22 050	22 050
Other assets		171 448	139 260
Current tax assets		1 161	1 341
Deferred tax assets		31 545	20 138
Total assets		7 711 466	6 376 300
Liabilities			
Financial liabilities at fair value through profit or loss		55	-
Deposits and balances from banks	8	1 802 901	976 556
Current accounts and deposits from customers	9	2 990 581	3 446 595
Debt securities in issue		6 560	-
Other liabilities		58 308	16 645
Subordinated borrowings	10	992 803	-
Total liabilities		5 851 208	4 439 796
Equity			
Share capital	14	1 939 071	1 939 071
Share premium	14	3 496	3 496
Revaluation reserve for premises		142 028	142 028
Revaluation reserve for financial assets available-for-sale		(27 666)	4 280
Accumulated losses		(196 671)	(152 371)
Total equity		1 860 258	1 936 504
Total liabilities and equity		7 711 466	6 376 300


Aziz Ferit Eraslan
Chairman of the Management Board



06 September 2013


Cihan Ozevin
Head of Financial Control and Risk
Management Department

The notes set out on pages 9 to 19 are an integral part of these interim condensed financial statements.

	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Interest income	12	228 139	170 343
Interest expense	12	(75 214)	(72 577)
Net interest income		152 925	97 766
Impairment losses on loans to customers	6	(54 024)	(11 162)
Net interest income after provision for impairment of loans to customers		98 901	86 604
Net (loss) gain on financial assets available-for-sale		(515)	14 215
Net gain from dealing with foreign currency		20 849	30 099
Net loss from revaluation of foreign currency		(237)	(22 274)
Fee and commission income		56 859	65 964
Fee and commission expense		(6 435)	(6 326)
Impairment losses on other assets		(35)	(578)
Other operating income		6 043	7 296
Operating income		175 430	175 000
Operating expenses	13	(235 601)	(213 257)
Loss before income tax		(60 171)	(38 257)
Income tax recovery		15 871	7 423
Loss for the period		(44 300)	(30 834)
Other comprehensive (loss) income			
Items that are or may be reclassified subsequently to profit or loss			
Effect of revaluation of financial assets available-for-sale transferred to profit or loss		258	-
Effect of revaluation of financial assets available-for-sale		(38 593)	338
Income tax relating to components of other comprehensive income		6 389	(73)
Other comprehensive (loss) income, net of income tax		(31 946)	265
Total comprehensive loss for the period		(76 246)	(30 569)

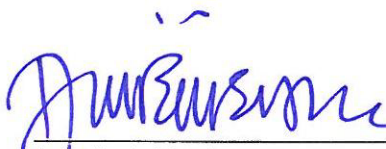

 Aziz Ferit Eraslan
 Chairman of the Management Board



06 September 2013

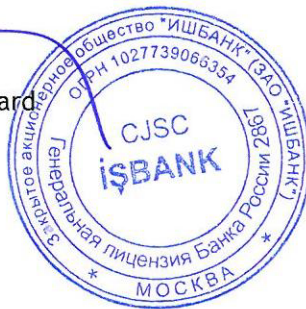
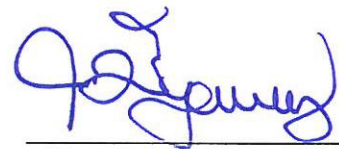

 Cihan Ozevin
 Head of Financial Control and Risk Management Department

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Net cash flows from operating activities	(460 527)	59 200
Net cash flows from investing activities	(60 832)	(37 656)
Net cash flows from financing activities	947 751	-
Effect of exchange rate changes on cash and cash equivalents	62 693	(9 782)
Net change in cash and cash equivalents	491 085	11 762
Cash and cash equivalents at the beginning of the period	1 176 738	826 651
Cash and cash equivalents at the end of the period	1 667 823	838 413



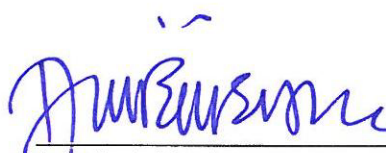
Aziz Ferit Eraslan
Chairman of the Management Board

06 September 2013

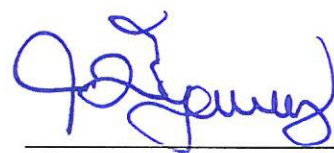
Cihan Ozevin
Head of Financial Control and Risk
Management Department

	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for financial assets available-for-sale	Accumulated losses	Total equity
Balance as at 1 January 2012	739 071	3 496	138 074	(784)	(109 297)	770 560
Comprehensive income/(loss) for the six months ended 30 June 2012 (unaudited)	-	-	-	265	(30 834)	(30 569)
Balance as at 30 June 2012 (unaudited)	739 071	3 496	138 074	(519)	(140 131)	739 991
Balance as at 1 January 2013	1 939 071	3 496	142 028	4 280	(152 371)	1 936 504
Comprehensive loss for the six months ended 30 June 2013 (unaudited)	-	-	-	(31 946)	(44 300)	(76 246)
Balance as at 30 June 2013 (unaudited)	1 939 071	3 496	142 028	(27 666)	(196 671)	1 860 258



Aziz Ferit Eraslan
Chairman of the Management Board

06 September 2013

Cihan Ozevin
Head of Financial Control and Risk Management Department

1. Principal Activities of the Bank

Closed Joint Stock Company "İŞBANK" (former name – Joint Stock Commercial Bank Sofia (closed joint stock company)) (the Bank), was founded on 22 June 1999 as a closed joint stock company under the laws of the Russian Federation through restructuring of Commercial Bank Sofia (limited liability partnership) established on 2 August 1994 by the founders' meeting held on 6 October 1993. The name of the Bank was changed from JSCB Sofia (CJSC) to CJSC İŞBANK on 6 September 2011 subject to Resolution No. 3 of the Bank's sole shareholder dated 25 July 2011. The amendments to the Charter were agreed with the Central Bank of the Russian Federation (CBR) on 25 August 2011.

The Bank is a member of the Association of Russian Banks, International Payment Systems - Europay International, Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Moscow Interbank Currency Exchange.

The priority lines of the Bank's business are commercial banking services in the Russian Federation.

In 2013 the Bank operated under the following licenses:

- General License of the Central Bank of the Russian Federation (the CBR) No. 2867 of 19 December 2002 for banking operations, which was renewed on 30 September 2011;
- License of the Central Bank of the Russian Federation No. 2867 of 19 December 2002 for banking operations in attracting and placing precious metals in deposits and for other transactions in precious metals, which was renewed on 30 September 2011;
- Licenses of the professional securities market participant issued by the Federal Financial Markets Service (FFMS):
 - No. 077-02950-100000 of 27 November 2000 for brokerage transactions;
 - No. 077-03055-010000 of 27 November 2000 for dealing transactions;
 - No. 077-03174-000100 of 4 December 2000 for depository activities;
 - No. 077-03130-001000 of 27 November 2000 for securities management operations;
- Licenses issued by the Federal Security Service of the Russian Federation:
 - LZ No. 0026202 X Reg. No. 11406 of 11 November 2011 for servicing of coding (cryptographic) equipment;
 - LZ No. 0026203 P Reg. No. 11407 of 11 November 2011 for distributing of coding (cryptographic) equipment;
 - LZ No. 0026204 Y Reg. No. 11408 of 11 November 2011 for providing data encryption services.

The Bank has 3 branches in Saint-Petersburg, Samara and Novosibirsk.

The Bank's legal and actual address is at: 13D, Nametkina Str., Moscow, 117420, Russia.

Since 14 September 2005 the Bank has been a member of the Obligatory Deposit Insurance System regulated by the state corporation Deposit Insurance Agency.

The Bank's shareholder is the following:

Shareholder	As at	As at
	30 June 2013	31 December 2012
	Ownership (%)	Ownership (%)
IS BANK	100.00	100.00
Total	100.00	100.00

Since 27 April 2011, 100 % of the Bank's shares have been held by İŞBANK (TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ). The key controlling parties of IS BANK are İşbank Member's Supplementary Pension Fund controlling 40.7% of İŞBANK shares and the Republican People's Party controlling 28.0% of IS BANK shares.

2. Operating Environment of the Bank

General

The Bank operations are primarily located in the Russian Federation. Consequently, the Bank 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. The interim condensed financial statements reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

Currency transactions

Foreign currencies, in particular USD and EUR, have significant influence on the underlying economics of many business transactions in the Russian Federation. In the first six months of 2013 the Russian Rouble (RUR) was gradually waning. The table below represents exchange rates of RUR to USD and EUR set by the CBR:

Date	USD	EUR
30 June 2013	32.7090	42.7180
31 December 2012	30.3727	40.2286
31 December 2011	32.1961	41.6714

3. Basis of Presentation of Interim Condensed Financial Statements

General principles

The interim condensed financial statements of the Bank are prepared in accordance with IAS 34 "Interim Financial Reporting". The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These interim condensed financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS.

The functional and presentation currency of the interim condensed financial statements

These interim condensed financial statements are presented in Russian Roubles being the functional and presentation currency of the Bank.

Estimates and assumptions

The preparation of the interim condensed financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the interim condensed financial statements, and the reported amounts of revenues and expenses during the reporting period. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies is described in Note 6 Loans to Customers.

Subsidiaries

The Bank has no subsidiaries.

4. Summary of Significant Accounting Policies

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied by the Bank as at and for the year ended 31 December 2012. The Bank considers these amendments have no significant impact on its financial position and performance.

The Bank has adopted the new standards and amendments to standards, including any consequential amendments to the standards, with a date of initial application of 1 January 2013.

4. Summary of Significant Accounting Policies (continued)**IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Bank's assets and liabilities.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* the Bank presents 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. The amendment has been applied retrospectively from 1 July 2012. Comparative information has been presented accordingly.

The adoption of the amendments to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Bank.

These interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2012.

5. Cash and Cash Equivalents

	30 June 2013 (unaudited)	31 December 2012
Cash	376 833	243 104
Balances with the CBR (other than mandatory reserves)	259 798	366 129
Correspondent accounts with other banks of:		
- the Russian Federation	69 604	92 787
<i>rated from BBB- to BBB+</i>	26 935	3 955
<i>rated from BB- to BB+</i>	1 547	39 521
<i>rated from B- to B+</i>	26 037	33 689
<i>not rated</i>	15 085	15 623
- other countries	961 588	474 718
<i>rated from A- to A+</i>	574 589	224 133
<i>rated BBB</i>	386 939	250 585
<i>not rated</i>	60	-
Total cash and cash equivalents	1 667 823	1 176 738

Ratings in the table above are based on the ratings of Fitch if they exist, otherwise Standard and Poor's or Moody's equivalents are used.

As at 30 June 2013 the Bank has corresponding accounts with two other banks which individually exceeded 10% of the Bank's equity and comprised RUR 961 526 thousand (31 December 2012: 2 counterparty banks with aggregate balance RUR 474 718 thousand).

6. Loans to Customers

	30 June 2013 (unaudited)	31 December 2012
Loans granted to legal entities	3 251 340	2 449 677
Consumer loans to individuals	247 224	282 310
Mortgage loans to individuals	163 016	148 622
Car loans to individuals	8 560	9 637
Less: provision for impairment of loans to customers	(392 558)	(338 534)
Total loans to customers	3 277 582	2 551 712

As at 30 June 2013, accrued interest on impaired loans amounted to RUR 79 397 thousand (31 December 2012: RUR 64 038 thousand).

Movements in the provision for impairment of loans to customers for the six months ended 30 June 2013 are as follows:

	Loans granted to legal entities	Consumer loans to individuals	Mortgage loans to individuals	Car loans	Total
Provision for impairment of loans to customers as at 1 January 2013	235 729	66 877	34 515	1 413	338 534
Provision/(recovery of provision) for impairment during the six months of 2013 (unaudited)	60 435	(14 402)	7 969	22	54 024
Provision for impairment of loans to customers as at 30 June 2013 (unaudited)	296 164	52 475	42 484	1 435	392 558

Movements in the provision for impairment of loans to customers for the six months ended 30 June 2012 are as follows:

	Loans granted to legal entities	Consumer loans to individuals	Mortgage loans to individuals	Car loans	Total
Provision for impairment of loans to customers as at 1 January 2012	229 599	76 946	2 871	1 451	310 867
Provision/(recovery of provision) for impairment during the six months of 2012 (unaudited)	10 416	4 081	(2 871)	(464)	11 162
Provision for impairment of loans to customers as at 30 June 2012 (unaudited)	240 015	81 027	-	987	322 029

6. Loans to Customers (continued)

Economic sector concentrations within the Bank's loan portfolio are as follows (presented gross of provision for impairment):

	30 June 2013 (unaudited)		31 December 2012	
	Amount	%	Amount	%
Industry	1 604 118	43.7	1 265 098	43.8
Trade	661 050	18.0	395 582	13.7
Individuals	418 800	11.4	440 569	15.2
Construction	365 289	10.0	358 163	12.4
Lease of assets	261 790	7.1	-	0.0
Services	287 492	7.8	259 948	9.0
Other	71 601	2.0	170 886	5.9
Total loans to customers (gross)	3 670 140	100.0	2 890 246	100.0

As at 30 June 2013 the Bank has 3 borrowers (31 December 2012: 1 borrower) whose loan balances exceed 10% of the Bank's equity. The gross value of these loans as at 30 June 2013 is RUR 877 753 thousand (31 December 2012: RUR 394 845 thousand).

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

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans (%)
Loans to legal entities				
<i>Loans without individual signs of impairment:</i>				
- not overdue	2 785 815	(82 416)	2 703 399	3.0%
<i>Loans with individual signs of impairment:</i>				
- overdue less than 1 month	3 775	(132)	3 643	3.5%
- overdue 1 to 6 months	54 616	(2 348)	52 268	4.3%
- overdue 6 to 12 months	54 494	(25 799)	28 695	47.3%
- overdue more than 1 year	352 640	(185 469)	167 171	52.6%
Total loans to legal entities	3 251 340	(296 164)	2 955 176	9.1%
Consumer loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	170 292	(24 895)	145 397	14.6%
- overdue less than 1 month	14 803	(2 161)	12 642	14.6%
<i>Loans with individual signs of impairment:</i>				
- overdue 1 to 6 months	8 256	(833)	7 423	10.1%
- overdue 6 to 12 months	8 960	(630)	8 330	7.0%
- overdue more than 1 year	44 913	(23 956)	20 957	53.3%
Total consumer loans to individuals	247 224	(52 475)	194 749	21.2%
Mortgage loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	52 414	(1 070)	52 414	2.0%
- overdue less than 1 month	5 555	(110)	5 555	2.0%
<i>Loans with individual signs of impairment:</i>				
- overdue more than 1 year	105 047	(41 304)	63 743	39.3%
Total mortgage loans to individuals	163 016	(42 484)	120 532	26.1%
Car loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	5 026	(824)	4 202	16.4%
- overdue less than 1 month	1 144	(188)	956	16.4%
<i>Loans with individual signs of impairment:</i>				
- overdue 1 to 6 months	1 712	(281)	1 431	16.4%
- overdue more than 1 year	678	(142)	536	21.0%
Total car loans to individuals	8 560	(1 435)	7 125	16.8%
TOTAL	3 670 140	(392 558)	3 277 582	10.7%

The notes set out on pages 9 to 19 are an integral part of these interim condensed financial statements.

6. Loans to Customers (continued)

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

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans (%)
Loans to legal entities				
<i>Loans without individual signs of impairment:</i>				
- not overdue	1 958 368	(63 497)	1 894 871	3.2%
- overdue less than 1 month	86 447	(7 365)	79 082	8.5%
<i>Loans with individual signs of impairment:</i>				
- overdue 1 to 6 months	48 136	(19 180)	28 956	39.8%
- overdue 6 to 12 months	168 553	(17 409)	151 144	10.3%
- overdue more than 1 year	188 173	(128 278)	59 895	68.2%
Total loans to legal entities	2 449 677	(235 729)	2 213 948	9.6%
Consumer loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	202 398	(27 398)	175 000	13.5%
- overdue less than 1 month	3 475	(494)	2 981	14.2%
<i>Loans with individual signs of impairment:</i>				
- overdue 1 to 6 months	8 504	(330)	8 174	3.9%
- overdue 6 to 12 months	11 115	(1 383)	9 732	12.4%
- overdue more than 1 year	56 818	(37 271)	19 547	65.6%
Total consumer loans to individuals	282 310	(66 876)	215 434	23.7%
Mortgage loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	47 478	(795)	46 683	1.7%
<i>Loans with individual signs of impairment:</i>				
- overdue more than 1 year	101 144	(33 720)	67 424	33.3%
Total mortgage loans to individuals	148 622	(34 515)	114 107	23.2%
Car loans to individuals				
<i>Loans without individual signs of impairment:</i>				
- not overdue	7 922	(1 158)	6 764	14.6%
- overdue less than 1 month	1 192	(174)	1 018	14.6%
<i>Loans with individual signs of impairment:</i>				
- overdue more than 1 year	523	(82)	441	15.7%
Total car loans to individuals	9 637	(1 414)	8 223	14.7%
TOTAL	2 890 246	(338 534)	2 551 712	11.7%

As at 30 June 2013 included in the loan portfolio are renegotiated loans to legal entities and individuals that would otherwise be past due or impaired of RUR 126 900 thousand (31 December 2012: RUR 93 931 thousand). Such restrict activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

7. Financial Assets Available-for-Sale

Financial assets available for sale comprise:

	30 June 2013 (unaudited)	31 December 2012
Debt securities - unpledged		
Corporate bonds		
- rated from BBB- to BBB+	-	108 653
- rated from BB- to BB+	99 515	162 247
- rated from B- to B+	353 395	554 136
Eurobonds		
- rated from BBB- to BBB+	371 687	-
- rated from BB- to BB+	281 256	156 641
- rated from B- to B+	233 866	-
Promissory notes		
- rated from BBB- to BBB+	-	305 468
- rated from BB- to BB+	-	128 959
- rated from B- to B+	-	276 427
Total debt securities - unpledged	1 339 719	1 692 531
Debt securities - pledged under sale and repurchase agreement		
Corporate bonds		
- rated from BB- to BB+	170 944	-
- rated from B- to B+	229 541	-
Total debt securities - pledged under sale and repurchase agreement	400 485	-
Total financial assets available-for-sale	1 740 204	1 692 531

Ratings in the table above are based on the ratings of Fitch if they exist, otherwise Standard and Poor's or Moody's equivalents are used.

The Bank performs operations on sale of securities under repurchase agreements (REPO).

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These securities are presented as "pledged under sale and repurchase agreements". In addition, the Bank recognises a financial liability for cash received as collateral included in deposits and balances from banks (note 8).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as intermediary.

Transferred financial assets that are not derecognised in their entirety as at 30 June 2013 comprise:

	30 June 2013 (unaudited)	31 December 2012
Carrying amount of financial assets available-for-sale	400 485	-
Carrying amount of associated financial liabilities (note 8)	309 215	-

As at 30 June 2013 and 31 December 2012 financial assets available-for-sale are neither impaired nor past due.

8. Deposits and balances from Banks

	30 June 2013 (unaudited)	31 December 2012
Term deposits	1 477 372	961 009
Correspondent accounts	16 314	15 547
Repurchase agreements with the CBR	309 215	-
Total due to banks	1 802 901	976 556

As at 30 June 2013, the Bank has 3 banks (31 December 2012: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2013 are RUR 1 624 990 thousand (31 December 2012: RUR 320 216 thousand).

9. Current accounts and deposits from customers

	30 June 2013 (unaudited)	31 December 2012
Legal entities		
– Current accounts	1 514 139	1 755 086
– Term deposits	295 920	122 021
Individuals		
– Current accounts	144 974	144 392
– Term deposits	1 035 548	1 425 096
Total customer accounts	2 990 581	3 446 595

According to the Russian legislation, individuals can withdraw their deposits at any time, losing in most of the cases the accrued interest. If a term deposit is withdrawn by a depositor ahead of term, interest is payable at the rate paid by the Bank on demand deposits unless otherwise specified by the contract.

Economic sector concentrations within current accounts and deposits from customers are as follows:

	30 June 2013 (unaudited)		31 December 2012	
	Amount	%	Amount	%
Individuals	1 180 522	39.5	1 569 488	45.5
Construction	630 583	21.1	415 171	12.0
Industry	390 343	13.1	454 713	13.2
Trade	339 834	11.4	515 772	15.0
Publishing and printing industry	120 353	4.0	107 372	3.1
Services	83 807	2.8	165 503	4.8
Transport and telecommunications	50 256	1.7	51 103	1.5
Public and religious organizations	47 857	1.6	20 081	0.6
Agriculture	18 914	0.6	14 608	0.4
Financial services	13 205	0.4	33 040	1.0
Other	114 907	3.8	99 744	2.9
Total customer accounts	2 990 581	100.0	3 446 595	100.0

As at 30 June 2013, the Bank has one customer whose balance exceed 10% of the Bank's equity (31 December 2012: one customer). Gross value of these balances are RUR 228 966 thousand (31 December 2012: RUR 285 126 thousand).

10. Subordinated borrowings

In April 2013 the Bank attracted a subordinated deposit from Türkiye İş Bankası A.Ş. of USD 30 000 thousand at 6.5% annual interest rate with maturity in April 2019. In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full all other liabilities of the Bank.

The notes set out on pages 9 to 19 are an integral part of these interim condensed financial statements.

11. Equity

There were no movements in the share capital for the six months ended 30 June 2013.

In accordance with Russian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Russian Accounting Legislation. As at 30 June 2013 there were no funds available for distribution to the shareholder.

12. Interest Income and Expense

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Interest income		
Loans to customers	150 888	148 252
Financial assets available-for-sale	72 124	12 051
Term deposits with banks	5 109	10 000
Correspondent accounts with other banks	18	40
Total interest income	228 139	170 343
Interest expense		
Term deposits of individuals	(42 496)	(61 256)
Term deposits from banks	(17 502)	(8 158)
Subordinated borrowings	(11 533)	-
Term deposits of legal entities	(3 336)	(2 351)
Current accounts from customers	(347)	(812)
Total interest expense	(75 214)	(72 577)
Net interest income	152 925	97 766

13. Operating Expenses

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Staff costs	(156 894)	(131 953)
Administrative expenses	(26 852)	(29 875)
Depreciation of premises and equipment	(13 759)	(11 594)
Taxes (other than income tax)	(13 713)	(10 206)
Professional services (security, communications and other)	(12 483)	(14 291)
Rent expenses	(8 025)	(9 099)
Advertising and marketing	(653)	(510)
Other	(3 222)	(5 729)
Total operating expenses	(235 601)	(213 257)

14. Capital Management

The Bank's capital management has the following objectives: to comply with the capital requirements established by the Central Bank of the Russian Federation, including the requirements of the deposit insurance system, assurance of the Bank's ability to continue its operations as a going concern and to maintain a ratio of capital to risk weighted assets above the prescribed minimum level of 10% as required by the CBR. Control over compliance with the capital adequacy ratio is exercised on the basis of forecast and actual data, as well as monthly reports containing corresponding calculations that are signed by the Chairman of the Management Board or his Deputy and the Chief Accountant of the Bank or his Deputy. Other capital management objectives are assessed on an annual basis.

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	30 June 2013 (unaudited)	31 December 2012 (unaudited)
Core capital	1 512 912	1 708 749
Additional capital	896 053	128 616
Total regulatory capital	2 408 965	1 837 365

As at 30 June 2013, the Bank's capital adequacy ratio calculated on the basis of the current capital requirements established by the CBR is 25.7% (unaudited) (31 December 2012: 29.5%).

15. Fair Value of Financial Instruments

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, other than in a forced sale or liquidation. Quoted financial instruments in active markets provide the best evidence of fair value. According to the management's assessment fair value of financial assets as at 30 June 2013 and 31 December 2012 approximate their carrying values.

Methods and assumptions used to estimate the fair value of the financial instruments are the same as at 31 December 2012.

Fair value hierarchy of financial assets as at 30 June 2013 and 31 December 2012 is presented below. The Bank uses the following fair value hierarchy for measuring fair values of financial instruments:

- Level 1: quoted market prices (unadjusted) in an active market for an identical instrument
- Level 2: valuation techniques for which all significant inputs are observable, either directly or indirectly
- Level 3: valuation techniques which use significant unobservable inputs.

Fair value hierarchy of financial assets as at 30 June 2013

	Level 1 (unaudited)	Level 2 (unaudited)	Total (unaudited)
Financial assets available-for-sale	1 740 204	-	1 740 204
Financial assets at fair value through profit or loss	-	55	55

Fair value hierarchy of financial assets as at 31 December 2012

	Level 1	Level 2	Total
Financial assets available-for-sale	981 676	710 855	1 692 531

16. Related Party Transactions

For the purposes of these interim condensed financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

In the normal course of business the Bank enters into transactions with its major shareholders, directors and other related parties. These transactions include settlements, issuance of loans, deposit taking, guarantees, trade finance and foreign currency transactions. According to the Bank's policy the terms of related party transactions are equivalent to those that prevail in arm's length transactions.

The outstanding balances as at 30 June 2013 with related parties are as follows:

	Shareholder (unaudited)	Key management personnel (unaudited)	Other related parties (unaudited)	Total (unaudited)
Assets				
Cash and cash equivalents	386 939	-	-	386 939
Loans to customers (gross)	-	944	556 667	557 611
Provision for impairment of loans to customers	-	(9)	(26)	(35)
Loans to customers (net)	-	935	556 641	557 576
Liabilities				
Deposits and balances from banks	16 314	-	333 615	320 216
Customer accounts	-	17 696	86 146	103 842
Subordinated borrowings	992 803	-	-	992 803

The outstanding balances as at 31 December 2012 with related parties are as follows:

	Shareholder	Key management personnel	Other related parties	Total
Assets				
Cash and cash equivalents	250 585	-	-	250 585
Loans to customers (gross)	-	380	270 000	270 380
Provision for impairment of loans to customers	-	-	-	-
Loans to customers (net)	-	380	270 000	270 380
Liabilities				
Deposits and balances from banks	15 547	-	304 669	320 216
Customer accounts	-	12 066	134 835	146 901

Other rights and obligations arising from related party transactions as at 30 June 2013 are presented below:

	Key management personnel (unaudited)	Other related parties (unaudited)	Total (unaudited)
Guarantees received by the Bank (unaudited)	2 238	1 003 370	1 005 608

16. Related Party Transactions (continued)

Other rights and obligations arising from related party transactions as at 31 December 2012 are presented below:

	Key management personnel	Other related parties	Total
Guarantees received by the Bank	1 262	600 171	601 433

Income and expense items arising from related party transactions for the six month ended 30 June 2013 are presented below:

	Shareholder (unaudited)	Key management personnel (unaudited)	Other related parties (unaudited)	Total (unaudited)
Interest income (unaudited)	-	35	16 595	16 630
Interest expense (unaudited)	(11 533)	-	(6 525)	(18 058)
Fee and commission income (unaudited)	-	-	17 543	17 543

Income and expense items arising from related party transactions for the six month ended 30 June 2012 are presented below:

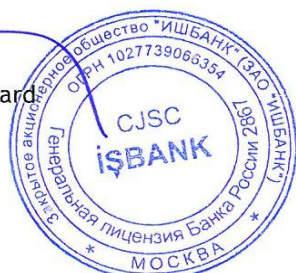
	Shareholder (unaudited)	Key management personnel (unaudited)	Other related parties (unaudited)	Total (unaudited)
Interest income (unaudited)	-	77	5 375	5 452
Interest expense (unaudited)	-	-	(1 131)	(1 131)
Fee and commission income (unaudited)	-	5	237	242

The information on remuneration to key management personnel is presented below:

	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Short-term payments:		
- Salaries	12 823	13 171
- Short-term bonuses	-	1 454
Total	12 823	14 625


Aziz Ferit Eraslan
Chairman of the Management Board

06 September 2013




Cihan Ozevin
Head of Financial Control and Risk Management Department