

**EXPOBANK  
LIMITED LIABILITY COMPANY**

**International Financial Reporting Standards  
Condensed Interim Financial Information  
and Review Report**

**30 June 2013**

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REVIEW REPORT

CONDENSED INTERIM FINANCIAL INFORMATION

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## **Review Report on Condensed Interim Financial Information**

To the Participants and the Board of Directors of Limited Liability Company Expobank:

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of OOO Expobank (the "Bank") as of 30 June 2013, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Our responsibility is to express an opinion on this condensed interim 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 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 accompanying condensed interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

23 September 2013  
Moscow, Russian Federation



O. Kucherova, Director (Qualification Certificate No 01-000397 of 23 January 2012)  
ZAO PricewaterhouseCoopers Audit

Audited entity: OOO Expobank

State Registration Certificate No. 2998, issued by the Central Bank of the Russian Federation on 6 February 2012.

Certificate of inclusion in the Unified State Register of Legal Entities No. 77 005422580 issued on 05 November 2002.

Mailing address: 107078, Moscow, Kalanchevskaya Street 29, building 2.

Independent Auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities № 1027700148431 issued on 22 August 2002.

Certificate of membership in self-regulated organisation non-profit partnership "Audit Chamber of Russia" No. 870. ORNZ 10201003683 in the register of auditors and audit organisations

**Limited Liability Company Expobank**  
**Condensed Interim Statement of Financial Position – 30 June 2013**

| <i>In thousands of Russian Roubles</i>                                  | Note | 30 June<br>2013   | 31 December<br>2012 |
|---|------|-------------------|---------------------|
| <b>ASSETS</b>   |      |                   |                     |
| Cash and cash equivalents   | 7    | 5 265 756         | 11 387 290          |
| Mandatory cash balances with CBRF                                       |      | 294 798           | 297 614             |
| Trading securities, including:  | 8    | 6 504 639         | 5 166 373           |
| - non-pledged trading securities  |      | 4 659 551         | 908 019             |
| - pledged trading securities sold under sale and repurchase agreements  |      | 1 845 088         | 4 258 354           |
| Due from other banks  | 9    | 84 752            | 860 655             |
| Loans and advances to customers   | 10   | 20 812 319        | 16 728 843          |
| Investment securities available for sale, including:                    | 8    | 548 295           | 959 619             |
| - non-pledged securities for sale                                       |      | 548 295           | 315 433             |
| - pledged securities for sale sold under sale and repurchase agreements |      | -                 | 644 186             |
| Current income tax prepayment   |      | 1 831             | 3 969               |
| Deferred income tax assets  | 15   | 723 770           | 829 535             |
| Intangible assets   |      | 107 542           | 138 225             |
| Premises and equipment  |      | 1 710 886         | 1 692 916           |
| Other financial assets  |      | 151 506           | 296 304             |
| Other non-financial assets  |      | 127 672           | 145 589             |
| <b>TOTAL ASSETS</b>   |      | <b>36 333 766</b> | <b>38 506 932</b>   |
| <b>LIABILITIES</b>  |      |                   |                     |
| Due to other banks  |      | 4 419 449         | 9 982 691           |
| Customer accounts   | 11   | 21 991 366        | 20 421 267          |
| Debt securities in issue  | 12   | 2 675 854         | 291 268             |
| Current income tax liability  |      | 356               | 471                 |
| Deferred tax liability  | 15   | -                 | 7 134               |
| Other financial liabilities   |      | 41 940            | 719 271             |
| Other non-financial liabilities   |      | 48 232            | 114 841             |
| <b>TOTAL LIABILITIES</b>  |      | <b>29 177 197</b> | <b>31 536 943</b>   |
| <b>EQUITY</b>   |      |                   |                     |
| Share capital   |      | 10 413 412        | 10 319 835          |
| Share premium   |      | 548 256           | 407 623             |
| Accumulated deficit   |      | (4 204 840)       | (4 320 363)         |
| Deficit in revaluation reserve for available-for-sale financial assets  |      | (2 757)           | (1 039)             |
| Revaluation reserve for premises and equipment                          |      | 402 498           | 329 723             |
| <b>Net assets attributable to the Bank's owners</b>                     |      | <b>7 156 569</b>  | <b>6 735 779</b>    |
| Equity instruments for issue  |      | -                 | 234 210             |
| <b>TOTAL EQUITY</b>   |      | <b>7 156 569</b>  | <b>6 969 989</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                     |      | <b>36 333 766</b> | <b>38 506 932</b>   |

Signed on behalf of the Executive Board on 23 September 2013.

  
K.V. Nifontov  
Chairman of the Management Board



  
G.M. Ulanova  
Chief Accountant

**Limited Liability Company Expobank**  
**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income – 30 June 2013**

|  | Note | Six months<br>ended<br>30 June 2012<br>2013 | Six months<br>ended<br>30 June<br>2012 |
|--|------|---|--|
| <i>In thousands of Russian Roubles</i>   |      |   |  |
| Interest income  |      | 1 831 366                                   | 801 884                                |
| Interest expense   |      | (868 823)                                   | (262 917)                              |
| <b>Net interest income</b>   |      | <b>962 543</b>                              | <b>538 967</b>                         |
| (Provision for impairment of loans to customers and amounts due from other banks)/ Recovery of provision | 10   | (66 924)                                    | 50 909                                 |
| <b>Net interest income after provision for loan impairment</b>   |      | <b>895 619</b>                              | <b>589 876</b>                         |
| Fee and commission income  |      | 130 603                                     | 381 940                                |
| Fee and commission expense   |      | (82 764)                                    | (178 324)                              |
| Gains less losses/(Losses less gains) arising from trading securities                                    |      | 1 785                                       | (33 459)                               |
| Gains less losses from financial derivatives   |      | -   | 1 263                                  |
| (Losses less gains) / Gains less losses from trading in foreign currencies                               |      | (48 295)                                    | 69 016                                 |
| Gains less losses / (Losses less gains) from foreign exchange translation                                |      | 148 116                                     | (3 539)                                |
| Losses from disposal of loans and advances to customers and other banks                                  | 10   | (35 043)                                    | (190 029)                              |
| Gains less losses from disposal of investment securities available for sale                              |      | 6 472                                       | -                                      |
| Other operating income   | 14   | 90 375                                      | 27 187                                 |
| Loss from impairment of premises and equipment   |      | (3 759)                                     | (2 175)                                |
| Administrative and other operating expenses  |      | (905 567)                                   | (876 715)                              |
| <b>Profit/(loss) before tax</b>  |      | <b>197 542</b>                              | <b>(214 959)</b>                       |
| (Income tax charge)/credit   | 15   | (82 019)                                    | 661 172                                |
| <b>Change in equity attributable to participants</b>   | 13   | <b>115 523</b>                              | <b>446 213</b>                         |
| <b>Results from operating activity</b>   |      | <b>115 523</b>                              | <b>446 213</b>                         |
| <b>Other comprehensive income:</b>   |      |   |  |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                                    |      |   |  |
| <i>Available-for-sale investments:</i>   |      |   |  |
| - Net results arising during the year  |      | (1 718)                                     | 65                                     |
| <i>Items that will not be reclassified to profit or loss:</i>  |      |   |  |
| Revaluation of premises and equipment  |      | 90 969                                      | -                                      |
| Income tax recorded directly in other comprehensive income   | 15   | (18 194)                                    | (13)                                   |
| <b>Other comprehensive income for the year</b>   |      | <b>71 057</b>                               | <b>52</b>                              |
| <b>Total comprehensive income for the year</b>   |      | <b>186 580</b>                              | <b>446 265</b>                         |

The notes set out on pages 5 to 40 form an integral part of this condensed interim financial information.

**Limited Liability Company Expobank**  
**Condensed Interim Statement of Changes in Equity – 30 June 2013**

| <i>In thousands of Russian Roubles</i>                  | Not e     | Share capital     | Share premium  | Revaluation reserve for available for sale financial assets | Revaluation reserve for premises and equipment | Retained earnings/(Accumulated deficit) | Total equity held by the Bank's owners | Equity instrument for issue | Total equity     |
|---|-----------|-------------------|----------------|---|--|---|--|-----------------------------|------------------|
| <b>Balance at 1 January 2011</b>                        |           | -                 | -              | -   | -  | (668 890)                               | (668 890)                              | -                           | (668 890)        |
| Profit for the year                                     |           | -                 | -              | -   | -  | 427 353                                 | 427 353                                | -                           | 427 353          |
| Other comprehensive income for the year                 |           | -                 | -              | -   | -  | 187 536                                 | 187 536                                | -                           | 187 536          |
| <b>Total comprehensive income for the year</b>          |           | -                 | -              | -   | -  | <b>614 889</b>                          | <b>614 889</b>                         | -                           | <b>614 889</b>   |
| Other   |           | -                 | -              | -   | -  | 54 001                                  | 54 001                                 | -                           | 54 001           |
| <b>Balance at 31 December 2011</b>                      |           | -                 | -              | -   | -  | -                                       | -                                      | -                           | -                |
| Profit for the year                                     |           | -                 | -              | -   | -  | 865 169                                 | 865 169                                | -                           | 865 169          |
| Other comprehensive income for the year                 |           | -                 | -              | (1 039)   | 142 187  | -                                       | 141 148                                | -                           | 141 148          |
| <b>Total comprehensive income for the year</b>          |           | -                 | -              | <b>(1 039)</b>  | <b>142 187</b>                                 | <b>865 169</b>                          | <b>1 006 317</b>                       | -                           | <b>1 006 317</b> |
| Reclassification of redeemable interest to equity       |           | 10 009 886        | -              | -   | 187 536  | (5 185 532)                             | 5 011 890                              | -                           | 5 011 890        |
| Additional contributions by participants                |           | 309 949           | 407 623        | -   | -  | -                                       | 717 572                                | -                           | 717 572          |
| Acquisition of non-controlling interest in subsidiaries |           | -                 | -              | -   | -  | -                                       | -                                      | 234 210                     | 234 210          |
| <b>Balance at 31 December 2012</b>                      | <b>13</b> | <b>10 319 835</b> | <b>407 623</b> | <b>(1 039)</b>  | <b>329 723</b>                                 | <b>(4 320 363)</b>                      | <b>6 735 779</b>                       | <b>234 210</b>              | <b>6 969 989</b> |
| Reclassification of equity instrument into equity       |           | 93 577            | 140 633        | -   | -  | -                                       | 234 210                                | (234 210)                   | -                |
| Profit for the year                                     |           | -                 | -              | -   | -  | 115 523                                 | 115 523                                | -                           | 115 523          |
| Other comprehensive income for the year                 |           | -                 | -              | (1 718)   | 72 775   | -                                       | 71 057                                 | -                           | 71 057           |
| <b>Balance at 30 June 2013</b>                          | <b>13</b> | <b>10 413 412</b> | <b>548 256</b> | <b>(2 757)</b>  | <b>402 498</b>                                 | <b>(4 204 840)</b>                      | <b>7 156 569</b>                       | -                           | <b>7 156 569</b> |

The notes set out on pages 5 to 40 form an integral part of this condensed interim financial information.

**Limited Liability Company Expobank**  
**Condensed Interim Statement of Cash Flows – 30 June 2013**

| <i>In thousands of Russian Roubles</i>   | Note     | Six months ended<br>30 June 2012 | Six months ended<br>30 June 2012 |
|--|----------|----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>  |          |                                  |                                  |
| Interest received  |          | 1 469 541                        | 601 403                          |
| Interest paid  |          | (557 816)                        | (153 296)                        |
| Fees and commissions received  |          | 327 146                          | 509 382                          |
| Fees and commissions paid  |          | (82 737)                         | (178 324)                        |
| Income/(Expense) received from trading securities  |          | 1 785                            | (33 459)                         |
| Income received from financial derivatives   |          | -                                | 1 263                            |
| Income received from trading in foreign currencies   |          | (48 295)                         | 69 016                           |
| Proceeds from disposal of due from other banks and advances to customers                       | 10       | 234 467                          | 534 502                          |
| Other operating income received  |          | 78 289                           | 33 925                           |
| Administrative and other operating expenses paid   |          | (801 672)                        | (774 214)                        |
| Income tax paid  |          | 441                              | (10 237)                         |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |          | <b>621 149</b>                   | <b>599 961</b>                   |
| Net (increase)/decrease in trading securities  |          | (1 228 175)                      | (520 517)                        |
| Net decrease/(increase) in due from other banks  |          | 1 144 861                        | (289 289)                        |
| Net increase in loans and advances to customers  |          | (4 160 448)                      | (1 272 437)                      |
| Net decrease/(increase) in other financial and non-financial assets                            |          | 191 574                          | (33 255)                         |
| Net (decrease)/increase in due to other banks  |          | (5 604 083)                      | 2 559 003                        |
| Net increase in customer accounts  |          | 946 305                          | 201 841                          |
| Net increase in debt securities in issue   |          | 754 512                          | 17 142                           |
| Net decrease in other financial liabilities  |          | (699 227)                        | (206 163)                        |
| Net increase/(decrease) in mandatory cash balances with central banks                          |          | 2 816                            | (9 247)                          |
| <b>Net cash (used in)/ from operating activities</b>   |          | <b>(8 030 716)</b>               | <b>1 047 039</b>                 |
| <b>Cash flows from investing activities</b>  |          |                                  |                                  |
| Sale/(acquisition) of investment securities available for sale                                 |          | 426 340                          | (513 668)                        |
| Acquisition of premises and equipment  |          | (10 403)                         | (19 809)                         |
| Acquisition of intangible assets   |          | (8 973)                          | (6 194)                          |
| <b>Net cash from/(used in) operating activities</b>  |          | <b>406 964</b>                   | <b>(539 671)</b>                 |
| <b>Cash flows from financing activities</b>  |          |                                  |                                  |
| Bonds issued on domestic market  |          | 1 502 370                        | -                                |
| <b>Net cash from financing activities</b>  |          | <b>1 502 370</b>                 | <b>-</b>                         |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                            |          | <b>(152)</b>                     | <b>29 034</b>                    |
| <b>Net (decrease) / increase in cash and cash equivalents</b>                                  |          | <b>(6 121 534)</b>               | <b>536 402</b>                   |
| Cash and cash equivalents at the beginning of the period                                       | 7        | 11 387 290                       | 3 373 213                        |
| <b>Cash and cash equivalents at the end of the period</b>                                      | <b>7</b> | <b>5 265 756</b>                 | <b>3 909 615</b>                 |

The notes set out on pages 5 to 40 form an integral part of this condensed interim financial information.

## **1 Introduction**

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") for the six months ended 30 June 2013 for Expobank Limited Liability Company (the "Bank").

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

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a commercial bank owned by participants whose liability is limited and was set up in accordance with Russian regulations. As at 30 June 2013, 68.60% of the Bank was owned by Igor Vladimirovich Kim, 17.63% – by German Alekseyevich Tsoy, 8.76% – by Open joint-stock company AUTOBAHN Road Construction Company, 1.82% – by Morelam Holdings Limited (Cyprus), 1.14% – by Yuri Igorevch Koropachinsky, 1.14% – by Oleg Igorevich Kirillov and 0.91% by minority participants.

**Principal activity.** The Bank's principal business activity is commercial and retail banking operations within the Russian Federation. The Bank has operated under full banking license No. 2998 of 6 February 2012 (replacement of license No. 2998 of 2 December 2008) issued by the Central Bank of the Russian Federation ("CBRF"). 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.

On 7 March 2013, OOO Expobank and OOO CB Stromcombank successfully completed the consolidation process. As a result of the takeover, OOO CB Stromcombank will continue its operations as a branch of OOO Expobank in Krasnoyarsk.

On 21 June 2013, OOO Expobank and OOO Sibbusinessbank (100% owned by OOO Expobank) successfully completed the process of merging.

At 30 June 2013, the Bank has 5 branches (31 December 2012: 4 branches). All the branches are located in the Russian Federation.

The Bank also operates through additional and operational offices in the Russian Federation. At 30 June 2013, the Bank has 16 offices. The ATM network includes 78 active machines in 5 Russian federal districts.

The Bank had 508 employees at 30 June 2013 (31 December 2012: 670 employees).

On 3 July 2013, the Bank was assigned an "A" credit rating from Rus-Rating agency on the national scale and a "BB+" rating on the international scale. Both ratings carry a "stable" outlook.

On 19 December 2012, international rating agency Fitch Ratings assigned the Bank a "B" long-term issuer default rating on the international scale and "BBB-(rus)" on the national scale. Both ratings carry a "stable" outlook.

**Registered address and place of business.** The Bank's registered address is: Russian Federation, 107078, Moscow, Kalanchevskaya Street 29, building 2.

**Presentation currency.** This interim condensed financial information is presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated.



## **2 Operating Environment of the Bank**

**Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation.

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 Bank's business in the current business and economic environment.

## **3 Summary of Significant Accounting Policies**

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

As at 30 June 2013, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.7090 (31 December 2012: USD 1 = RR 30.3727) and EUR 1 = RR 42.7180 (31 December 2012: EUR 1 = RR 40.2286).

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

**Income taxes.** The income tax charge for the six months period ended 30 June 2013 is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

**Loans and advances to customers.** Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable.

The Bank classifies acquired Eurobonds (non-derivative financial assets), which are not quoted on the active market, as assets with fixed or determinable payments and carries them within loans and advances to customers. The Bank has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Loans and advances to customers are carried at amortised cost (refer to Note 10).

### **3 Summary of Significant Accounting Policies (Continued)**

**Changes in presentation.** Where necessary, corresponding figures have been adjusted to eliminate the erroneous asset classification and conform to the presentation of the current year amounts.

The effect of reclassifications for presentation purposes was as follows on amounts for the six month period ended 30 June 2012:

| <i>In thousands of Russian Roubles</i> | <b>As originally reported<br/>at 30 June 2012</b> | <b>Reclassification</b> | <b>As reclassified at<br/>30 June 2012</b> |
|--|---|-------------------------|--|
| Cash and cash equivalents              | 6 060 667   | (2 151 052)             | 3 909 615                                  |
| Trading securities                     | 1 879 548   | 2 151 052               | 4 030 600                                  |

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The reclassifications had an impact on information in the statement of cash flows and had no impact on other notes.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements of the Bank for the year, ended 31 December 2012, became effective for the Bank 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. Other new or amended standards or interpretations did not have any impact on this condensed interim financial information of the Bank (see Note 5).

### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment losses on loans and advances.** The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank 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.

#### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)**

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. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 46 626 thousand (31 December 2012: RR 55 733 thousand), respectively. 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 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 33 056 thousand (31 December 2012: RR 31 626 thousand), respectively.

**Initial recognition of related party transactions.** In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 19.

**Valuation of own use premises.** Premises of the Bank are stated at fair value based on reports prepared by an independent valuation company. The market value of property is assessed using the comparable sales method which includes price analysis for market sales of similar property. To the extent that the assessed fair value of the Bank's premises differs by 10%, the carrying value change of this real estate would be RR 154 350 thousand (before deferred tax) as at 30 June 2013 (31 December 2012: RR 139 061 thousand).

#### **5 Adoption of New or Revised Standards and Interpretations**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Bank has not early adopted, unless otherwise stated.

**IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. Changes in the definitions have reduced the number of “types” of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Bank does not expect the new standard to have any impact on its financial statements.

**5 Adoption of New or Revised Standards and Interpretations (Continued)**

**IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28, *Investments in Associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Bank is currently assessing the impact of the new standard on its financial statements.

**IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Bank is currently assessing the impact of the new standard on its financial statements.

**IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)**, was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, *Consolidated Financial Statements*. The Bank does not expect the standard to have any impact on its financial information.

**IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)**. The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Bank does not expect the standard to have any impact on its financial statements.

**Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, effective for annual periods beginning on or after 1 July 2012)**, changes the disclosure of items presented in other comprehensive income. The amendments require entities 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'. The Bank expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

**5 Adoption of New or Revised Standards and Interpretations (Continued)**

**Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)**, makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Bank does not expect the revised standard to have any impact on its financial statements.

**Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)**. The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

**Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards, - Government loans (issued in March 2012 and effective for annual periods beginning 1 January 2013)**. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The Bank does not expect the revised standard to have any impact on its financial statements.

**Improvements to International Financial Reporting Standards (issued in May 2012 and effective from 1 January 2013)**. The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing Costs*, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Bank is currently assessing the impact of the amendments on its financial statements.

## **5 Adoption of New or Revised Standards and Interpretations (Continued)**

**Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning on or after 1 January 2013).** The amendments clarify the transition guidance in IFRS 10, *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Bank is currently assessing the impact of the amendments on its financial statements.

**Other revised standards and interpretations:** IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Bank's financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

## **6 New Accounting Pronouncements**

Since the Bank published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Bank's annual accounting periods beginning on or after 1 January 2014 or later and which the Bank 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.

**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.

## **6 New Accounting Pronouncements (Continued)**

**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 Bank 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.

## **7 Cash and Cash Equivalents**

| <i>In thousands of Russian Roubles</i>                                  | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|---|-------------------------|-----------------------------|
| Cash on hand  | 736 684                 | 1 301 047                   |
| Cash balances with the CBRF (other than mandatory reserve deposits)     | 1 203 762               | 220 981                     |
| Settlement accounts with financial institutions                         | 83 680                  | 1 038 969                   |
| Correspondent accounts and overnight placements with other banks        | 990 844                 | 3 761 512                   |
| Loans to other banks with original maturities of less than three months | 2 250 786               | 5 064 781                   |
| <b>Total cash and cash equivalents</b>                                  | <b>5 265 756</b>        | <b>11 387 290</b>           |

Settlement accounts with financial institutions as at 30 June 2013 mainly include settlements with the National Clearing Centre of RR 6 041 thousand (31 December 2012: RR 12 195 thousand), settlements with the National Settlement Depository of RR 16 711 thousand (31 December 2012: nil), settlements with Visa INC. of RR 15 906 thousand (31 December 2012: RR 912 996 thousand) and Master Card International Inc of RR 39 138 thousand (31 December 2012: RR 107 541 thousand).

As at 30 June 2013 loans issued to other banks with original maturities of less than three months are mostly represented by loans to large Russian banks with contractual interest rates from 6.1% to 6.5% and maturities on 1 July 2013.

Correspondent accounts and overnight placements with other banks as at 30 June 2013 represent amounts due from Russian and foreign banks.

**Limited Liability Company Expobank**  
**Notes to the Condensed Interim Financial Information– 30 June 2013**

**8 Securities**

| <i>In thousands of Russian Roubles</i>  | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|---|-------------------------|-----------------------------|
| <b>Trading securities</b>   |                         |                             |
| Bonds of banks  | 3 685 246               | 696 029                     |
| Corporate bonds   | 373 916                 | 211 990                     |
| Municipal bonds   | 259 566                 | -                           |
| <b>Total debt securities</b>  | <b>4 318 728</b>        | <b>908 019</b>              |
| Units in mutual investment funds  | 340 823                 | -                           |
| <b>Total non-pledged trading securities</b>                                       | <b>4 659 551</b>        | <b>908 019</b>              |
| Bonds of banks  | 685 904                 | 2 527 760                   |
| Corporate bonds   | 1 060 933               | 1 730 594                   |
| Municipal bonds   | 98 251                  | -                           |
| <b>Total pledged trading securities sold under sale and repurchase agreements</b> | <b>1 845 088</b>        | <b>4 258 354</b>            |
| <b>Total trading securities</b>   | <b>6 504 639</b>        | <b>5 166 373</b>            |
| <b>Securities available for sale</b>  |                         |                             |
| Russian banks' bonds  | 548 295                 | 315 433                     |
| <b>Total non-pledged investment securities available for sale</b>                 | <b>548 295</b>          | <b>315 433</b>              |
| Russian banks' bonds  | -                       | 644 186                     |
| <b>Total pledged investment securities available for sale</b>                     | <b>-</b>                | <b>644 186</b>              |
| <b>Total securities available for sale</b>  | <b>548 295</b>          | <b>959 619</b>              |
| <b>Total securities</b>   | <b>7 052 934</b>        | <b>6 125 992</b>            |

As trading securities and available for sale securities are carried at their fair values based on observable market data using bid prices from MICEX-RTS stock exchange, the Bank does not analyse or monitor impairment indicators.

Bonds of banks are interest bearing debt securities denominated in Russian Roubles, issued by the largest Russian banks and are freely tradable in the Russian Federation.



## **8 Securities (Continued)**

Corporate bonds are interest-bearing securities issued by large Russian companies, denominated in Russian Roubles and freely tradable in the Russian Federation.

Municipal bonds are interest-bearing debt securities denominated in Russian Roubles, issued by Russian regional authorities and are freely tradable in the Russian Federation.

Units of mutual investment funds are represented by Russian rouble denominated units of a closed unit investment real estate fund, tradable on the Russian market.

Pledged trading securities as at 30 June 2013 represent securities of RR 1 845 088 thousand (31 December 2012: RR 4 258 354 thousand) sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. The sale and repurchase agreements were of a short-term nature and were fully repaid on 3 July 2013. The Central Bank of Russia is the counterparty bank under all sale and repurchase agreements at 30 June 2013.

At 30 June 2013, the Bank had trading securities of RR 852 568 thousand and investment securities available for sale of RR 333 643 thousand (31 December 2012: trading securities of RR 237 643 thousand and investment securities available for sale of RR 204 374 thousand) under the General Loan Agreement with the Bank of Russia with overdraft limit of RR 3 500 000 thousand (31 December 2012: RR 3 500 000 thousand). At 30 June 2013 and 31 December 2012 the overdraft was not used by the Bank.

## **9 Due from Other Banks**

| <i>In thousands of Russian Roubles</i>                                  | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|---|-------------------------|-----------------------------|
| Loans to other banks with original maturities of more than three months | 55 500                  | 356 000                     |
| Banks' promissory notes   | -                       | 504 655                     |
| Correspondent accounts and overnight placements with other banks        | 29 252                  | -                           |
| <b>Total due from other banks</b>                                       | <b>84 752</b>           | <b>860 655</b>              |

As at 30 June 2013 loans to other banks with original maturity of more than three months represent loans in the total amount of RR 55 500 thousand (31 December 2012: RR 356 000 thousand) placed with a large Russian bank with contractual interest rate of 11.0% and maturity in April 2014.

As at 30 June 2013 correspondent accounts and overnight placements with other banks are mainly represented by minimum balances with non-banking settlement credit institution NSCI Payment Centre.

As at 31 December 2012 promissory notes represent interest-bearing promissory notes in the total amount of RR 504 655 thousand. These promissory notes are purchased from a counterparty with contractual interest rate of 7.25% and maturity in February 2013.

**10 Loans and Advances to Customers**

| <i>In thousands of Russian Roubles</i>  | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|---|-------------------------|-----------------------------|
| Large entities  | 4 202 641               | 3 161 468                   |
| Medium entities   | 4 260 264               | 8 572 182                   |
| Small entities  | 3 481 654               | 1 474 080                   |
| Loans to individuals  | 7 786 746               | 3 715 076                   |
| Reverse sale and repurchase receivables   | 1 126 788               | 363 363                     |
| Eurobonds   | 420 487                 | -                           |
| <b>Total loans and advances to customers before provision for loan impairment</b> | <b>21 278 580</b>       | <b>17 286 169</b>           |
| Less: Provision for loan impairment   | (466 261)               | (557 326)                   |
| <b>Total loans and advances to customers</b>                                      | <b>20 812 319</b>       | <b>16 728 843</b>           |

Loans issued by the Bank are classified as follows:

- Loans issued to large entities (annual revenue exceeding RR 2 billion);
- Loans issued to medium entities (annual revenue from RR 400 million to RR 2 billion);
- Loans issued to small businesses (annual revenue up to and including RR 400 million) and loans issued within the scope of programme for lending to regional business, which the Bank operated up to 1 January 2009 (4 agreements left as at 1 January 2013);
- Retail loans - loans issued to individual customers for consumer purposes.  
Included in loans to individuals are loans acquired from parties not under common control. At 30 June 2013 included in loans to individuals are acquired loans of RR 5 395 276 thousand (31 December 2012: RR 1 008 856 thousand). The counterparty companies guaranteed repayment of the nominal value of the transferred loans and interest accrued thereon in case of the borrower's default after 29 days (31 December 2012: 1 day). The counterparty companies undertake to maintain a minimum balance at the correspondent account in the amount of annuity payment under the transferred pool of loan agreements.
- Reverse repurchase agreements.

As at 30 June 2013, repurchase receivables represent amounts due on repayment of cash under reverse repurchase transactions with securities in the amount of RR 1 126 788 thousand (31 December 2012: RR 363 363 thousand)

Eurobonds represent debt securities denominated in foreign currency (USD, Euro) issued by large Russian and foreign companies and tradable on European stock markets.

**10 Loans and Advances to Customers (Continued)**

Movements in the provision for loan impairment during the first six months of 2013 are as follows:

| <i>In thousands of Russian Roubles</i>                             | <b>Large entities</b> | <b>Medium entities</b> | <b>Small entities</b> | <b>Loans to individuals</b> | <b>Total</b>   |
|--|-----------------------|------------------------|-----------------------|-----------------------------|----------------|
| <b>Provision for loan impairment at 1 January 2013</b>             | <b>35 048</b>         | <b>151 439</b>         | <b>175 093</b>        | <b>195 746</b>              | <b>557 326</b> |
| Provision/(Recovery of provision) for impairment during the period | 18 812                | (40 076)               | 58 832                | 29 356                      | 66 924         |
| Provision for acquired loans                                       | -                     | -                      | -                     | 32 967                      | 32 967         |
| Provision for disposed loans                                       | -                     | (1 177)                | (64 270)              | (125 509)                   | (190 956)      |
| <b>Provision for loan impairment at 30 June 2013</b>               | <b>53 860</b>         | <b>110 186</b>         | <b>169 655</b>        | <b>132 560</b>              | <b>466 261</b> |

In 2013, the Bank sold impaired loans with a nominal value of RR 460 466 thousand and impairment provisions of RR 190 956 thousand for RR 234 467 thousand. The loss on sale amounted to RR 35 043 thousand.

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

| <i>In thousands of Russian Roubles</i>  | <b>30 June 2013</b> |             | <b>31 December 2012</b> |             |
|---|---------------------|-------------|-------------------------|-------------|
|   | <b>Amount</b>       | <b>%</b>    | <b>Amount</b>           | <b>%</b>    |
| Individuals   | 7 786 746           | 36,6        | 3 715 076               | 21,5        |
| Manufacturing   | 1 917 876           | 9,0         | 982 466                 | 5,7         |
| Wholesale trade   | 1 762 510           | 8,3         | 2 886 287               | 16,7        |
| Finance   | 1 765 594           | 8,3         | 919 543                 | 5,3         |
| Housing construction  | 1 532 891           | 7,2         | 1 411 163               | 8,2         |
| Office real estate  | 1 289 273           | 6,1         | 1 023 111               | 5,9         |
| Services  | 1 182 296           | 5,5         | 792 577                 | 4,6         |
| Commercial properties   | 1 082 879           | 5,1         | 813 282                 | 4,7         |
| Oil and gas   | 802 443             | 3,7         | 1 019 128               | 5,9         |
| Public catering   | 477 883             | 2,2         | 604 339                 | 3,5         |
| Transportation and logistics  | 417 794             | 2,0         | 324 501                 | 1,9         |
| Warehousing properties  | 288 837             | 1,4         | 1 232 927               | 7,1         |
| Infrastructure construction   | 280 347             | 1,3         | 533 814                 | 3,1         |
| Telecommunications  | 253 932             | 1,2         | 310 941                 | 1,8         |
| Retail trade  | 167 849             | 0,8         | 310 461                 | 1,8         |
| Car dealer  | 120 536             | 0,6         | 130 791                 | 0,7         |
| Healthcare  | 43 256              | 0,2         | 56 509                  | 0,3         |
| Other   | 105 638             | 0,5         | 219 253                 | 1,3         |
| <b>Total loans and advances to customers before provision for loan impairment</b> | <b>21 278 580</b>   | <b>100%</b> | <b>17 286 169</b>       | <b>100%</b> |

As at 30 June 2013, the total balance of loans to 30 largest customers was RR 9 948 287 thousand before provision for loan impairment (31 December 2012: RR 9 637 630 thousand) or 47% (31 December 2012: 56%) of total loans and advances to customers.

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**10 Loans and Advances to Customers (Continued)**

Analysis by credit quality of loans outstanding at 30 June 2013 is as follows:

| <i>In thousands of Russian Roubles</i>  | <b>Large entities</b> | <b>Medium entities</b> | <b>Small entities</b> | <b>Loans to individuals</b> | <b>Total</b>      |
|---|-----------------------|------------------------|-----------------------|-----------------------------|-------------------|
| <i>Neither past due nor impaired</i>  |                       |                        |                       |                             |                   |
| - Loans renegotiated in 2013  | 497 897               | -                      | 196 402               | 176 074                     | 870 373           |
| - Live book   | 4 831 532             | 4 134 077              | 2 830 499             | 7 227 447                   | 19 023 555        |
| - Eurobonds   | 420 487               | -                      | -                     | -                           | 420 487           |
| <b>Total neither past due nor impaired</b>  | <b>5 749 916</b>      | <b>4 134 077</b>       | <b>3 026 901</b>      | <b>7 403 521</b>            | <b>20 314 415</b> |
| <i>Past due but not impaired</i>  |                       |                        |                       |                             |                   |
| - less than 30 days overdue   | -                     | -                      | 161 844               | 188 342                     | 350 186           |
| - 31 to 90 days overdue   | -                     | -                      | 4 617                 | 75 500                      | 80 117            |
| <b>Total past due but not impaired</b>  | <b>-</b>              | <b>-</b>               | <b>166 461</b>        | <b>263 842</b>              | <b>430 303</b>    |
| <i>Individually impaired loans more than 90 days overdue</i>                      |                       |                        |                       |                             |                   |
|   | -                     | 126 187                | 288 292               | 119 383                     | 533 862           |
| <b>Total individually impaired loans</b>  | <b>-</b>              | <b>126 187</b>         | <b>288 292</b>        | <b>119 383</b>              | <b>533 862</b>    |
| <b>Total loans and advances to customers before provision for loan impairment</b> | <b>5 749 916</b>      | <b>4 260 264</b>       | <b>3 481 654</b>      | <b>7 786 746</b>            | <b>21 278 580</b> |
| <b>Less: Provision for impairment</b>   | <b>(53 860)</b>       | <b>(110 186)</b>       | <b>(169 655)</b>      | <b>(132 560)</b>            | <b>(466 261)</b>  |
| <b>Total loans and advances to customers</b>                                      | <b>5 696 056</b>      | <b>4 150 078</b>       | <b>3 311 999</b>      | <b>7 654 186</b>            | <b>20 812 319</b> |

**10 Loans and Advances to Customers (Continued)**

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

| <i>In thousands of Russian Roubles</i>  | <b>Large entities</b> | <b>Medium entities</b> | <b>Small entities</b> | <b>Loans to individuals</b> | <b>Total</b>      |
|---|-----------------------|------------------------|-----------------------|-----------------------------|-------------------|
| <i>Neither past due nor impaired</i>  |                       |                        |                       |                             |                   |
| - Loans renegotiated in 2012  | 20 000                | 742 281                | 191 562               | 167 632                     | 1 121 475         |
| - Live book   | 3 504 831             | 7 776 280              | 1 064 995             | 3 202 908                   | 15 549 014        |
| <b>Total neither past due nor impaired</b>  | <b>3 524 831</b>      | <b>8 518 561</b>       | <b>1 256 557</b>      | <b>3 370 540</b>            | <b>16 670 489</b> |
| <i>Past due but not impaired</i>  |                       |                        |                       |                             |                   |
| - less than 30 days overdue   | -                     | -                      | 3 787                 | 84 996                      | 88 783            |
| - 31 to 90 days overdue   | -                     | -                      | 4 270                 | 61 655                      | 65 925            |
| <b>Total past due but not impaired</b>  | <b>-</b>              | <b>-</b>               | <b>8 057</b>          | <b>146 651</b>              | <b>154 708</b>    |
| <i>Individually impaired loans more than 90 days overdue</i>                      |                       |                        |                       |                             |                   |
|   | -                     | 53 621                 | 209 466               | 197 885                     | 460 972           |
| <b>Total individually impaired loans</b>  | <b>-</b>              | <b>53 621</b>          | <b>209 466</b>        | <b>197 885</b>              | <b>460 972</b>    |
| <b>Total loans and advances to customers before provision for loan impairment</b> | <b>3 524 831</b>      | <b>8 572 182</b>       | <b>1 474 080</b>      | <b>3 715 076</b>            | <b>17 286 169</b> |
| <b>Less: Provision for impairment</b>   | <b>(35 048)</b>       | <b>(151 439)</b>       | <b>(175 093)</b>      | <b>(195 746)</b>            | <b>(557 326)</b>  |
| <b>Total loans and advances to customers</b>                                      | <b>3 489 783</b>      | <b>8 420 743</b>       | <b>1 298 987</b>      | <b>3 519 330</b>            | <b>16 728 843</b> |

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**11 Customer Accounts**

| <i>In thousands of Russian Roubles</i> | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| <b>State and public organisations</b>  |                         |                             |
| - Current/settlement accounts          | 13 281                  | 35 320                      |
| - Term deposits                        | 132 804                 | 20 098                      |
| <b>Legal entities</b>                  |                         |                             |
| - Current/settlement accounts          | 3 494 708               | 4 290 197                   |
| - Term deposits                        | 5 612 856               | 5 172 359                   |
| <b>Individuals</b>                     |                         |                             |
| - Current/demand accounts              | 1 743 824               | 1 857 428                   |
| - Term deposits                        | 10 993 893              | 9 045 865                   |
| <b>Total customer accounts</b>         | <b>21 991 366</b>       | <b>20 421 267</b>           |

State and public organisations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

| <i>In thousands of Russian Roubles</i> | <b>30 June 2013</b> |             | <b>31 December 2012</b> |             |
|--|---------------------|-------------|-------------------------|-------------|
|  | <b>Amount</b>       | <b>%</b>    | <b>Amount</b>           | <b>%</b>    |
| Individuals                            | 12 737 717          | 57,9        | 10 903 292              | 53,4        |
| Trade                                  | 2 475 621           | 11,3        | 2 058 365               | 10,1        |
| Financial services                     | 1 934 163           | 8,7         | 1 846 610               | 9,0         |
| Real estate                            | 1 080 303           | 4,9         | 1 003 688               | 4,9         |
| Manufacturing                          | 1 000 324           | 4,6         | 1 161 855               | 5,7         |
| Construction                           | 773 333             | 3,5         | 799 193                 | 3,9         |
| Consulting services                    | 494 325             | 2,3         | 728 658                 | 3,6         |
| Transport                              | 304 104             | 1,4         | 601 054                 | 2,9         |
| Not-for-profit organizations           | 169 150             | 0,8         | 164 260                 | 0,8         |
| Advertising and media                  | 126 562             | 0,6         | 115 669                 | 0,6         |
| Food industry                          | 85 245              | 0,4         | 46 858                  | 0,2         |
| Telecommunications                     | 30 778              | 0,1         | 8 175                   | 0,1         |
| Mining                                 | 4 100               | 0,0         | 4 881                   | 0,0         |
| Other                                  | 775 641             | 3,5         | 978 709                 | 4,8         |
| <b>Total customer accounts</b>         | <b>21 991 366</b>   | <b>100%</b> | <b>20 421 267</b>       | <b>100%</b> |

At 30 June 2013, included in customer accounts are deposits of RR 376 403 thousand (31 December 2012: RR 33 764 thousand) held as collateral for irrevocable commitments under import letters of credit.

At 30 June 2013, the aggregate balance of customer accounts of the 10 largest customers of the Bank was RR 4 362 034 thousand (31 December 2012: RR 3 752 955 thousand), or 20% (31 December 2012: 18%) of total customer accounts.

## 12 Debt Securities in Issue

| <i>In thousands of Russian Roubles</i> | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| Promissory notes                       | 1 173 484               | 291 268                     |
| Bonds issued on domestic market        | 1 502 370               | -                           |
| <b>Total debt securities in issue</b>  | <b>2 675 854</b>        | <b>291 268</b>              |

At 30 June 2013 debt securities in issue included Russian rouble denominated bonds of RR 1 502 370 thousand (31 December 2012: nil). These bonds mature on 3 July 2016 and have coupon rate of 11.5%.

## 13 Redeemable Interest

Revaluation of redeemable interest for the six month period ended 30 June 2013 was caused by changes in the following components:

| <i>In thousands of Russian Roubles</i>   | <b>Six months ended<br/>30 June 2012</b> |
|--|--|
| Change in equity attributable to participants  | 446 213                                  |
| Increase/decrease of accumulated deficit   | -  |
| Increase/decrease of financial result from revaluation of available-for-sale investment securities | 65                                       |
| Revaluation of premises and equipment  | -  |
| Income tax recorded directly in other comprehensive income   | (13)                                     |
| <b>Total revaluation of redeemable interest</b>  | <b>446 265</b>                           |

At 30 June 2013, the authorised, issued and fully paid share capital was RR 10 413 412 thousand (31 December 2012: RR 10 319 835 thousand).

On 7 March 2013, the Bank increased its capital through merger with OOO CB Stromcombank by RR 234 210 thousand, including RR 93 577 thousand in share capital increase and RR 140 633 thousand in share premium.

The Bank is a limited liability company. Under the effective Russian law, each participant of a limited liability company holds voting rights in proportion to its interest in the company's share capital.

Prior to 6 August 2012, according to the Charter and current law the Bank's Participants were entitled to request redemption of their interests in the Bank. As a result, the redeemable interest was classified as liability. On 6 August 2012 the Bank's Charter was amended and the Participants' right to request redemption of their interests in the Bank was eliminated. Therefore, starting from 6 August 2012 redeemable interest is classified as Equity. The Bank's accounting policy for determining the share capital is disclosed in Note 3.

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**14 Other Operating Income**

| <i>In thousands of Russian Roubles</i>          | <b>Six months ended<br/>30 June<br/>2013</b> | <b>Six months ended<br/>30 June<br/>2012</b> |
|---|--|--|
| Income from consulting and information services | 47 759                                       | -  |
| Rental income from operating lease              | 15 925                                       | 6 314  |
| Fines and late payment interest received        | 10 613                                       | 11   |
| Income received under a marketing contract      | 4 770  | 1 900  |
| Gain on disposal of property                    | 3 395  | 9 848  |
| Other   | 7 913  | 9 114  |
| <b>Total other operating income</b>             | <b>90 375</b>                                | <b>27 187</b>                                |

**15 Income Taxes**

**(a) Components of income tax expense / (benefit)**

Interim period income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

| <i>In thousands of Russian Roubles</i>            | <b>Six months ended<br/>30 June<br/>2013</b> | <b>Six months ended<br/>30 June<br/>2012</b> |
|---|--|--|
| Current tax                                       | 1 582  | 11 552                                       |
| Deferred tax expense/(credit)                     | 80 437                                       | (672 724)                                    |
| <b>Income tax expense/(credit) for the period</b> | <b>82 019</b>                                | <b>(661 172)</b>                             |

The income tax rate applicable to the majority of the Bank's 2013 income is 20% (2012: 20%).

**b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate**

The income tax rate applicable to the majority of the Bank's income in the reporting period is 20% (2012: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

| <i>In thousands of Russian Roubles</i>  | <b>Six months ended<br/>30 June<br/>2013</b> | <b>Six months ended<br/>30 June<br/>2012</b> |
|---|--|--|
| <b>Profit/(loss) before tax</b>   | <b>197 542</b>                               | <b>(214 959)</b>                             |
| Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)                   | 39 508                                       | (42 992)                                     |
| Tax effect of items which are not deductible or assessable for taxation purposes: |  |  |
| - Non-deductible expenses   | 32 066                                       | -  |
| - Income which is exempt from taxation  | -  | (31 993)                                     |
| - Income on government securities taxed at different rates                        | (527)  | (3 851)                                      |
| - Other non-temporary differences   | 10 972                                       | (9 873)                                      |
| Tax losses carried forward, expected to be used in 2012                           | -  | 220 000                                      |
| Unrecognised other potential deferred tax assets                                  | -  | (792 463)                                    |
| <b>Income tax expense/(credit) for the reporting period</b>                       | <b>82 019</b>                                | <b>(661 172)</b>                             |



## **16 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 the CODM are performed by the Executive Board Chairman and executive directors from the Board of Directors of the Bank.

### **(a) Description of products and services from which each reportable segment derives its revenue**

The Bank is organised on a basis of main business segments:

- Corporate banking include savings, deposits and loans to corporate customers, small and medium enterprises and individual entrepreneurs, maintaining corporate settlement accounts, overdrafts, bank guarantees, documentary and factoring operations, promissory notes, currency control and cash management transactions.
- Retail banking includes banking services to individuals, opening and maintaining settlement accounts, savings, deposits, debit and credit cards, consumer, mortgage and car loans, cash transfers, settlement transactions, cash management.
- Treasury banking includes transactions with securities and foreign currency, interbank lending, sales and repurchase agreements, correspondent accounts and swap transactions.

### **(b) Factors that management used to identify the reportable segments**

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

### **(c) Measurement of operating segment profit or loss, assets and liabilities**

The CODM 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:

- (i) loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
- (ii) commission income related to lending is recognised immediately rather than deferred using the effective interest method;
- (iii) income taxes are not allocated to segments;
- (iv) revaluation of premises and equipment is carried out in accordance with the RAR Accounting Policy once in three years;
- (v) premises and equipment and intangible assets are not tested for impairment;
- (vi) liabilities for the Bank's unused vacation payments are not recognised.

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

**16 Segment Analysis (Continued)**

**(d) Information about reportable segment profit or loss, assets and liabilities**

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

| <i>In thousands of Russian Roubles</i>   | <b>Corporate banking</b> | <b>Retail banking</b> | <b>Treasury</b>   | <b>Total</b>      |
|--|--------------------------|-----------------------|-------------------|-------------------|
| Cash and cash equivalents  | -                        | -                     | 731 466           | 731 466           |
| Reserves of credit institutions at the CBRF  | -                        | -                     | 1 492 169         | 1 492 169         |
| Amounts due from credit institutions   | -                        | -                     | 4 434 514         | 4 434 514         |
| Investments in debt securities   | -                        | -                     | 7 660 911         | 7 660 911         |
| Loans and advances to customers  | 11 248 069               | 7 661 161             | -                 | 18 909 230        |
| Premises and equipment, intangible assets, inventories and depreciation and amortisation | -                        | -                     | 1 474 109         | 1 474 109         |
| Other liquid assets  | -                        | -                     | 417 702           | 417 702           |
| Receivables  | -                        | -                     | 267 472           | 267 472           |
| Other assets   | -                        | 134 107               | -                 | 134 107           |
| <b>Total reportable segment assets</b>   | <b>11 248 069</b>        | <b>7 795 268</b>      | <b>16 478 343</b> | <b>35 521 680</b> |
| Loans, deposits and other placements of the CBRF   | -                        | -                     | 2 055 372         | 2 055 372         |
| Amounts due to credit institutions   | -                        | -                     | 2 355 703         | 2 355 703         |
| Customer accounts  | 9 389 501                | 12 423 721            | -                 | 21 813 222        |
| Debt securities in issue   | -                        | -                     | 2 792 529         | 2 792 529         |
| Other liabilities  | -                        | -                     | 249 378           | 249 378           |
| <b>Total reportable segment liabilities</b>  | <b>9 389 501</b>         | <b>12 423 721</b>     | <b>7 452 982</b>  | <b>29 266 204</b> |
| <b>Capital expenditure</b>   | <b>-</b>                 | <b>-</b>              | <b>-</b>          | <b>-</b>          |

**16 Segment Analysis (Continued)**

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

| <i>In thousands of Russian Roubles</i>   | <b>Corporate banking</b> | <b>Retail banking</b> | <b>Treasury</b>   | <b>Total</b>      |
|--|--------------------------|-----------------------|-------------------|-------------------|
| Cash and cash equivalents  | -                        | -                     | 1 105 172         | 1 105 172         |
| Reserves of credit institutions at the CBRF  | -                        | -                     | 257 738           | 257 738           |
| Amounts due from credit institutions   | -                        | -                     | 7 211 369         | 7 211 369         |
| Investments in debt securities   | -                        | -                     | 6 292 133         | 6 292 133         |
| Investment in Subsidiary   | -                        | -                     | 730 400           | 730 400           |
| Loans and advances to customers  | 10 143 341               | 3 091 484             | -                 | 13 234 825        |
| Premises and equipment, intangible assets, inventories and depreciation and amortisation | -                        | -                     | 1 451 932         | 1 451 932         |
| Other liquid assets  | -                        | -                     | 231 649           | 231 649           |
| Receivables  | -                        | -                     | 266 118           | 266 118           |
| Other assets   | -                        | 266 215               | -                 | 266 215           |
| <b>Total reportable segment assets</b>   | <b>10 143 341</b>        | <b>3 357 699</b>      | <b>17 546 511</b> | <b>31 047 551</b> |
| Loans, deposits and other placements of the CBRF   | -                        | -                     | 6 593 979         | 6 593 979         |
| Amounts due to credit institutions   | -                        | -                     | 4 481 056         | 4 481 056         |
| Customer accounts  | 6 679 211                | 7 315 428             | -                 | 13 994 639        |
| Debt securities in issue   | 102 943                  | -                     | 65 580            | 168 523           |
| Other liabilities  | -                        | -                     | 501 558           | 501 558           |
| <b>Total reportable segment liabilities</b>  | <b>6 782 154</b>         | <b>7 315 428</b>      | <b>11 642 173</b> | <b>25 739 755</b> |
| <b>Capital expenditure</b>   | -                        | -                     | -                 | -                 |

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

At 30 June 2013, the Bank had no contractual capital expenditure commitments in respect of premises and equipment.

**16 Segment Analysis (Continued)**

Reconciliation of reportable segment assets prepared in accordance with management accounts to total assets is as follows:

| <i>In thousands of Russian Roubles</i>   | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| <b>Reportable segment assets</b>   | <b>35 521 680</b>       | <b>31 047 551</b>           |
| Events after the end of the reporting period   | -                       | (11 162)                    |
| Impairment of premises and equipment   | (81 681)                | (87 660)                    |
| Additional depreciation charge for premises and equipment in accordance with depreciation rates approved in the IFRS accounting policies | (95 078)                | (94 867)                    |
| Revaluation of premises at the reporting date  | 457 123                 | 380 626                     |
| Amortisation of commission income  | (65 902)                | (58 998)                    |
| Mortgage at amortised cost   | (8 759)                 | (10 308)                    |
| Deferred income tax asset  | 723 857                 | 828 910                     |
| Reversal of provision for other assets   | 84 839                  | 68 012                      |
| Materials write-off to losses  | (9 962)                 | (10 016)                    |
| Amortisation of intangible assets  | (91 809)                | (126 021)                   |
| Outstanding amounts on transactions with payment cards   | 22 534                  | 972 748                     |
| Reclassification of outstanding plastic cards settlements from liabilities to assets   | -                       | (38 410)                    |
| Discount on debt securities in issue   | (122 528)               | -                           |
| Other  | (548)                   | 12 964                      |
| Allocation of consolidated subsidiaries  | -                       | 5 633 563                   |
| <b>Total assets</b>  | <b>36 333 766</b>       | <b>38 506 932</b>           |
| <b>Reportable segment liabilities</b>  | <b>29 266 204</b>       | <b>25 739 755</b>           |
| Events after the end of the reporting period   | -                       | 25 637                      |
| Negative financial result from swap transactions   | -                       | 21 950                      |
| Charge of provision for contingent liabilities   | 10 576                  | 6 346                       |
| Accrued liabilities for unused vacations   | 4 044                   | 29 130                      |
| Outstanding amounts on transactions with payment cards   | 22 534                  | 972 748                     |
| Reclassification of outstanding plastic cards settlements from liabilities to assets   | -                       | (38 410)                    |
| Discount on debt securities in issue   | (122 528)               | (14 224)                    |
| Other  | (3 633)                 | (1 831)                     |
| Allocation of consolidated subsidiaries  | -                       | 4 795 842                   |
| <b>Total liabilities</b>   | <b>29 177 197</b>       | <b>31 536 943</b>           |

**Limited Liability Company Expobank**  
**Notes to the Condensed Interim Financial Information– 30 June 2013**

**16 Segment Analysis (Continued)**

| <i>In thousands of Russian Roubles</i>                                      | <b>Corporate<br/>banking</b> | <b>Retail<br/>banking</b> | <b>Treasury</b> | <b>Total</b>     |
|---|------------------------------|---------------------------|-----------------|------------------|
| <b>Six months ended<br/>30 June 2013</b>                                    |                              |                           |                 |                  |
| <i>External revenues:</i>   |                              |                           |                 |                  |
| - Interest income   | 710 174                      | 431 020                   | 390 434         | 1 531 628        |
| - Fee and commission income   | 225 500                      | 12 839                    | -               | 238 339          |
| Revenues from other segments  |                              |                           |                 |                  |
| - Interest income   | (209 054)                    | 386 755                   | (177 701)       | -                |
| <b>Total revenues</b>   | <b>726 620</b>               | <b>830 614</b>            | <b>212 733</b>  | <b>1 769 967</b> |
| Interest expense  | (201 026)                    | (416 323)                 | (181 888)       | (799 237)        |
| Provision for loan impairment   | 7 560                        | (170 099)                 | -               | (162 539)        |
| Depreciation charge   | (25 610)                     | (13 871)                  | (14 521)        | (54 002)         |
| Fee and commission expense  | (7 294)                      | -                         | (2 155)         | (9 449)          |
| Gains less losses from trading securities                                   | -                            | -                         | 1 785           | 1 785            |
| Gains less losses from trading in foreign currencies                        | -                            | -                         | (17 739)        | (17 739)         |
| Foreign exchange translation gains less losses                              | -                            | -                         | 126 568         | 126 568          |
| Gains less losses from disposal of investment securities available for sale | -                            | -                         | 6 472           | 6 472            |
| Administrative and other operating expenses                                 | (253 697)                    | (137 153)                 | (143 573)       | (534 423)        |
| <b>Segment result</b>   | <b>246 553</b>               | <b>93 168</b>             | <b>(12 318)</b> | <b>327 403</b>   |

**Limited Liability Company Expobank**  
**Notes to the Condensed Interim Financial Information– 30 June 2013**

**16 Segment Analysis (Continued)**

| <i>In thousands of Russian Roubles</i>                                      | <b>Corporate<br/>banking</b> | <b>Retail<br/>banking</b> | <b>Treasury</b> | <b>Total</b>   |
|---|------------------------------|---------------------------|-----------------|----------------|
| <b>Six months ended 30 June 2012</b>  |                              |                           |                 |                |
| External revenues:  |                              |                           |                 |                |
| - Interest income   | 252 582                      | 197 544                   | 219 169         | 669 295        |
| - Fee and commission income   | 160 758                      | 89 679                    | -               | 250 437        |
| Revenues from other segments  |                              |                           |                 |                |
| - Interest income   | 10 753                       | 50 967                    | (61 720)        | -              |
| <b>Total revenues</b>   | <b>424 093</b>               | <b>338 190</b>            | <b>157 449</b>  | <b>919 732</b> |
| Interest expense  | (90 393)                     | (123 005)                 | (49 505)        | (262 903)      |
| Provision for loan impairment   | 68 697                       | 9 762                     | -               | 78 459         |
| Depreciation charge   | (60 701)                     | (33 465)                  | (27 147)        | (121 313)      |
| Fee and commission expense  | (22 501)                     | (54 717)                  | (6 016)         | (83 234)       |
| Gains less losses from trading securities                                   | -                            | -                         | (33 459)        | (33 459)       |
| Gains less losses from trading in foreign currencies                        | -                            | -                         | 66 831          | 66 831         |
| Foreign exchange translation gains less losses                              | -                            | -                         | (3 539)         | (3 539)        |
| Gains less losses from disposal of investment securities available for sale | -                            | -                         | -               | -              |
| Administrative and other operating expenses                                 | (223 126)                    | (198 990)                 | (99 626)        | (521 742)      |
| <b>Segment result</b>   | <b>96 069</b>                | <b>(62 225)</b>           | <b>4 988</b>    | <b>38 832</b>  |

## 16 Segment Analysis (Continued)

Reconciliation of profit for the reportable segments to income for the reported year before taxation is as follows:

| <i>In thousands of Russian Roubles</i>   | Six months ended<br>30 June<br>2013 | Six months ended<br>30 June<br>2012 |
|--|-------------------------------------|-------------------------------------|
| <b>Profit for reportable segments</b>  | <b>327 403</b>                      | <b>38 832</b>                       |
| Additional depreciation charge for premises and equipment in accordance with depreciation rates approved in the IFRS accounting policies | (16 066)                            | (43 699)                            |
| Difference in write-off of premises and equipment under RAS and IFRS   | -                                   | 65 995                              |
| Amortisation of commission income  | (7 506)                             | 13 951                              |
| Amortisation of intangible assets  | (20 758)                            | (18 744)                            |
| Difference in reversal of provision for other assets under RAS and IFRS  | (11 124)                            | (9 955)                             |
| Charge of provision for contingent liabilities   | (4 230)                             | (5 174)                             |
| Change in liabilities for unused vacations   | 26 164                              | 4 862                               |
| Provision for impairment of loans to customers   | (107 936)                           | (304 179)                           |
| Other  | 11 595                              | 43 152                              |
| <b>Profit/(loss) before tax</b>  | <b>197 542</b>                      | <b>(214 959)</b>                    |

### (e) Analysis of revenues by products and services

The Bank does not have customers, revenues from which exceed 10% the total revenues.

### (f) Geographical information

The Bank carries out a significant portion of operations, earns revenues and incurs expenses, possesses assets and liabilities in the Russian Federation.

## 17 Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this condensed interim financial information.

**Tax legislation.** Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank and to changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes the following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to a significant increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

## **17 Contingencies and Commitments (Continued)**

The Bank has other possible obligations from exposure to other than remote tax risks of RR 40 546 thousand (31 December 2012: nil). These exposures primarily relate to reasonableness of deducting from tax base certain labour compensation for periods ended 31 December 2010 and 31 December 2011. Management believes that its current interpretation of the relevant legislation is appropriate and the Bank's tax position will be sustained. Therefore, in respect of these transactions, as at 30 June 2013 and 31 December 2012 no provision for potential tax liabilities was recorded in this financial information.

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice.

As Russian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

**Capital expenditure commitments.** At 30 June 2013, the Bank had no contractual capital expenditure commitments in respect of premises and equipment (31 December 2012: nil).



**17 Contingencies and Commitments (Continued)**

**Operating lease commitments.** Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

| <i>In thousands of Russian Roubles</i>       | <b>30 June<br/>2013</b> | <b>30 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| Not later than 1 year                        | 118 735                 | 150 281                     |
| Later than 1 year and not later than 5 years | 131 552                 | 229 096                     |
| Later than 5 years                           | -                       | 25 659                      |
| <b>Total operating lease commitments</b>     | <b>250 287</b>          | <b>405 036</b>              |

**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 Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank 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>         | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| Guarantees issued                              | 1 104 641               | 735 128                     |
| - <i>financial</i>                             | 465 108                 | 377 177                     |
| - <i>non-financial</i>                         | 639 533                 | 357 951                     |
| Import letters of credit issued                | -                       | 27 193                      |
| Less: Provision for credit related commitments | (10 576)                | (6 346)                     |
| <b>Total credit related commitments</b>        | <b>1 094 065</b>        | <b>755 975</b>              |

Movements in the provision for impairment of guarantees issued and import letters of credit during the first six months of 2013 are as follows:

| <i>In thousands of Russian Roubles</i>               | <b>Total</b>  |
|--|---------------|
| <b>Provision for impairment at 1 January 2013</b>    | <b>6 346</b>  |
| Provision for impairment during the reporting period | 4 230         |
| <b>Provision for impairment at 30 June 2013</b>      | <b>10 576</b> |

**17 Contingencies and Commitments (Continued)**

**Assets pledged and restricted.** The Bank had assets pledged as collateral with the following carrying value:

| <i>In thousands of Russian Roubles</i> | Note | 30 June 2013     |                   | 31 December 2012 |                   |
|--|------|------------------|-------------------|------------------|-------------------|
|  |      | Asset pledged    | Related liability | Asset pledged    | Related liability |
| Trading securities                     | 8    | 2 697 655        | 1 556 317         | 4 495 997        | 3 560 013         |
| Securities available for sale          | 8    | 333 643          | -                 | 848 560          | 536 825           |
| Loans and advances to customers        | 10   | 7 939            | -                 | 12 661           | -                 |
| Other financial assets                 |      | 142 751          | -                 | 264 896          | -                 |
| <b>Total</b>                           |      | <b>3 181 988</b> | <b>1 556 317</b>  | <b>5 622 114</b> | <b>4 096 838</b>  |

Repurchase receivables as at 30 June 2013 of RR 1 845 087 thousand (31 December 2012: RR 4 902 540 thousand) represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. The sale and repurchase agreements were of a short-term nature and were fully repaid on 3 July 2013.

At 30 June 2013, the Bank had restricted trading securities of RR 852 568 thousand and investment securities available for sale of RR 333 643 thousand (31 December 2012: trading securities of RR 237 643 thousand and investment securities available for sale of RR 204 374 thousand) under the General Loan Agreement with the Bank of Russia with overdraft limit of RR 3 500 000 thousand (31 December 2012: RR 3 500 000 thousand). At 30 June 2013 and 31 December 2012 the overdraft was not used by the Bank.

At 30 June 2013, the Bank placed RR 7 939 thousand (31 December 2012: RR 12 661 thousand) as insurance deposits under operating lease contracts and RR 142 751 thousand (31 December 2012: RR 264 896 thousand) as insurance deposits for Master Card International, NKO Western Union, OAO Rosbank and Non-Banking Credit Institution ZAO National Settlement Depository (NRD).

In addition, mandatory cash balances with the CBRF of RR 294 798 thousand (31 December 2012: RR 297 614 thousand) represent mandatory non-interest bearing reserve deposits which are not available to finance the Bank's day to day operations.

**18 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>   | <b>30 June 2013</b>    |                   | <b>31 December 2012</b> |                   |
|--|------------------------|-------------------|-------------------------|-------------------|
|  | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b>  | <b>Fair value</b> |
| <b>FINANCIAL ASSETS</b>  |                        |                   |                         |                   |
| <b><i>Cash and cash equivalents</i></b>  | <b>5 265 756</b>       | <b>5 265 778</b>  | <b>11 387 290</b>       | <b>11 386 604</b> |
| - Cash on hand   | 736 684                | 736 684           | 1 301 047               | 1 301 047         |
| - Settlement accounts with financial institutions                                | 83 680                 | 83 680            | 1 038 969               | 1 038 969         |
| - Cash balances with the CBRF  | 1 203 762              | 1 203 762         | 220 981                 | 220 981           |
| - Correspondent accounts and overnight placements                                | 990 844                | 990 844           | 3 761 512               | 3 761 512         |
| - Placements with other banks with original maturities of less than three months | 2 250 786              | 2 250 808         | 5 064 781               | 5 064 095         |
| <b><i>Mandatory cash balances with CBRF</i></b>                                  | <b>294 798</b>         | <b>294 798</b>    | <b>297 614</b>          | <b>297 614</b>    |
| <b><i>Due from other banks</i></b>   | <b>84 752</b>          | <b>93 855</b>     | <b>860 655</b>          | <b>879 238</b>    |
| - Loans to other banks with original maturities of more than three months        | 55 500                 | 64 603            | 860 655                 | 879 238           |
| - Correspondent accounts and overnight placements                                | 29 252                 | 29 252            | -                       | -                 |
| <b><i>Loans and advances to customers</i></b>                                    | <b>20 812 319</b>      | <b>20 903 687</b> | <b>16 728 843</b>       | <b>17 337 441</b> |
| - Large entities   | 4 148 781              | 4 463 658         | 3 126 420               | 3 311 859         |
| - Medium entities  | 4 150 078              | 4 664 879         | 8 420 743               | 8 999 062         |
| - Small entities   | 3 311 999              | 3 602 677         | 1 298 987               | 1 339 400         |
| - Individuals  | 7 654 186              | 6 625 198         | 3 519 330               | 3 323 757         |
| Repurchase receivable  | 1 126 788              | 1 126 788         | 363 363                 | 363 363           |
| - Eurobonds  | 420 487                | 420 487           | -                       | -                 |
| <b><i>Other financial assets</i></b>   | <b>151 506</b>         | <b>151 506</b>    | <b>296 049</b>          | <b>296 049</b>    |
| Credit and debit cards receivables   | 134 107                | 134 107           | 261 863                 | 261 863           |
| Accrual of commission for plastic card servicing                                 | 5 997                  | 5 997             | 18 619                  | 18 619            |
| Other  | 11 402                 | 11 402            | 15 567                  | 15 567            |
| <b>TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST</b>                          | <b>26 609 131</b>      | <b>26 709 624</b> | <b>29 570 451</b>       | <b>30 196 946</b> |

**Limited Liability Company Expobank**  
**Notes to the Condensed Interim Financial Information– 30 June 2013**

**18 Fair Value of Financial Instruments (Continued)**

|   | 30 June 2013      |                   | 31 December 2012  |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Carrying amount   | Fair value        | Carrying amount   | Fair value        |
| <i>In thousands of Russian Roubles</i>                          |                   |                   |                   |                   |
| <b>Trading securities</b>                                       | <b>6 504 639</b>  | <b>6 504 639</b>  | <b>5 166 373</b>  | <b>5 166 373</b>  |
| - Corporate bonds   | 1 434 849         | 1 434 849         | 1 942 584         | 1 942 584         |
| - Bonds of banks  | 4 371 150         | 4 371 150         | 3 223 789         | 3 223 789         |
| - Municipal bonds   | 357 817           | 357 817           | -                 | -                 |
| - Investment units  | 340 823           | 340 823           | -                 | -                 |
| <b>Other financial assets</b>                                   | <b>-</b>          | <b>-</b>          | <b>255</b>        | <b>255</b>        |
| - Derivative financial instruments                              | -                 | -                 | 255               | 255               |
| <b>Available-for-sale financial assets</b>                      | <b>548 295</b>    | <b>548 295</b>    | <b>959 619</b>    | <b>959 619</b>    |
| - Investment securities available for sale                      | 548 295           | 548 295           | 959 619           | 959 619           |
| <b>TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE</b>             | <b>7 052 934</b>  | <b>7 052 934</b>  | <b>6 126 247</b>  | <b>6 126 247</b>  |
| <b>TOTAL FINANCIAL ASSETS</b>                                   | <b>33 662 065</b> | <b>33 762 558</b> | <b>35 696 698</b> | <b>36 323 193</b> |
| <b>FINANCIAL LIABILITIES</b>                                    |                   |                   |                   |                   |
| <b>Due to other banks</b>                                       | <b>4 419 449</b>  | <b>4 430 924</b>  | <b>9 982 691</b>  | <b>10 065 906</b> |
| - Correspondent accounts and overnight placements               | 1 473 866         | 1 473 866         | 714 787           | 714 787           |
| - Placements of other banks                                     | 1 389 265         | 1 400 740         | 5 171 066         | 5 254 281         |
| - Sale and repurchase agreements with other banks               | 1 556 318         | 1 556 318         | 4 096 838         | 4 096 838         |
| <b>Customer accounts</b>  | <b>21 991 366</b> | <b>23 075 647</b> | <b>20 421 267</b> | <b>20 839 845</b> |
| - Current/settlement accounts of state and public organisations | 13 281            | 13 281            | 35 320            | 35 497            |
| - Term deposits of state and public organisations               | 132 804           | 132 804           | 20 098            | 20 098            |
| - Current/settlement accounts of other legal entities           | 3 494 708         | 3 494 708         | 4 290 198         | 4 295 161         |
| - Term deposits of other legal entities                         | 5 612 856         | 5 910 342         | 5 172 359         | 5 248 249         |
| - Current/demand accounts of individuals                        | 1 743 824         | 1 743 824         | 1 857 427         | 1 860 963         |
| - Term deposits of individuals                                  | 10 993 893        | 11 780 688        | 9 045 865         | 9 379 877         |
| <b>Other financial liabilities</b>                              | <b>41 940</b>     | <b>41 940</b>     | <b>697 321</b>    | <b>697 321</b>    |
| - Debit and credit card payables                                | 26 594            | 26 594            | 682 713           | 682 713           |
| - Deferred fee and commission income                            | 4 770             | 4 770             | 8 026             | 8 026             |
| - Provision for credit related commitments                      | 10 576            | 10 576            | 6 346             | 6 346             |
| - Contingent liabilities under bank guarantees                  | -                 | -                 | 236               | 236               |
| - <b>Debt securities in issue</b>                               | <b>2 675 854</b>  | <b>2 760 213</b>  | <b>291 268</b>    | <b>291 268</b>    |
| <b>TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST</b>    | <b>29 128 609</b> | <b>30 308 724</b> | <b>31 392 547</b> | <b>31 894 340</b> |
| <b>Other financial liabilities</b>                              | <b>-</b>          | <b>-</b>          | <b>21 950</b>     | <b>21 950</b>     |
| - Derivative financial instruments                              | -                 | -                 | 21 950            | 21 950            |
| <b>FINANCIAL LIABILITIES CARRIED AT FAIR VALUE</b>              | <b>-</b>          | <b>-</b>          | <b>21 950</b>     | <b>21 950</b>     |
| <b>TOTAL FINANCIAL LIABILITIES</b>                              | <b>29 128 609</b> | <b>30 308 724</b> | <b>31 414 497</b> | <b>31 916 290</b> |

**18 Fair Value of Financial Instruments (Continued)**

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

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

|   | 30 June 2013                               |   | 31 December 2012                           |   |
|---|--|---|--|---|
|   | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) |
| <i>In thousands of Russian Roubles</i>                        |  |   |  |   |
| <b>FINANCIAL ASSETS</b>                                       |  |   |  |   |
| <b>Trading securities</b>                                     | <b>4 659 551</b>                           | -   | <b>908 019</b>                             | -   |
| - Municipal bonds   | 259 566                                    | -   | -  | -   |
| - Corporate bonds   | 373 916                                    | -   | 211 990                                    | -   |
| - Bonds of banks  | 3 685 246                                  | -   | 696 029                                    | -   |
| - Units in investment funds                                   | 340 823                                    | -   | -  | -   |
| <b>Repurchase receivables (securities held for trading)</b>   | <b>1 845 088</b>                           | -   | <b>4 258 354</b>                           | -   |
| - Bonds of banks  | 685 904                                    | -   | 2 527 760                                  | -   |
| - Corporate shares  | 1 060 933                                  | -   | 1 730 594                                  | -   |
| - Municipal bonds   | 98 251                                     | -   | -  | -   |
| <b>Investment securities available for sale</b>               | <b>548 295</b>                             | -   | <b>315 433</b>                             | -   |
| - bonds of Russian banks                                      | 548 295                                    | -   | 315 433                                    | -   |
| <b>Repurchase receivables (securities available for sale)</b> | -  | -   | <b>644 186</b>                             | -   |
| - bonds of Russian banks                                      | -  | -   | 644 186                                    | -   |
| <b>Other financial assets</b>                                 | -  | -   | -  | <b>255</b>  |
| - Derivative financial instruments (swap transactions)        | -  | -   | -  | 255   |
| <b>TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE</b>           | <b>7 052 934</b>                           | -   | <b>6 125 992</b>                           | <b>255</b>  |

Management applies judgement in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

## 18 Fair Value of Financial Instruments (Continued)

### *(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 Bank used valuation techniques. 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 the currency, maturity of the instrument and credit risk of the counterparty. These rates are analysed below:

|  | <b>30 June<br/>2013</b> | <b>31 December<br/>2012</b> |
|--|-------------------------|-----------------------------|
| <b>Due from other banks</b>                                      |                         |                             |
| Term placements with other banks                                 | 6,2%-6,2% p.a.          | 0,10%-10% p.a.              |
| <b>Loans and advances to customers</b>                           |                         |                             |
| Large entities   | 0,5%-11,8% p.a.         | 5,5%-11,1% p.a.             |
| Medium entities  | 7,2%-11,8% p.a.         | 7,8%-17,0% p.a.             |
| Small entities   | 1,6%-11,8% p.a.         | 9,4%-22,0% p.a.             |
| Loans to individuals   | 10,2%-25,2% p.a.        | 9,8%-23,7% p.a.             |
| <b>Due to other banks</b>  |                         |                             |
| - Correspondent accounts and overnight placements of other banks | 0,0% p.a.               | 0,0% p.a.                   |
| - Placements of other banks                                      | 0,3%-7,0% p.a.          | 0,2%-8,0% p.a.              |
| - Sale and repurchase agreements with other banks                | 6,1%-6,1% p.a.          | 6,0%-6,1% p.a.              |
| <b>Customer accounts</b>   |                         |                             |
| - Term deposits of legal entities                                | 1,0%-8,0% p.a.          | 0,3%-8,8% p.a.              |
| - Term deposits of individuals                                   | 2,3%-6,6% p.a.          | 0,25%-10,3% p.a.            |

## 19 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party 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.

For the purposes of disclosure of the Bank's related party transactions, the line "Participants" includes companies and individuals who directly or indirectly own interests in the share capital that enable them to have a significant influence on the Bank's activities.

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**19 Related Party Transactions (Continued)**

The line "Other related parties" includes close family members of individuals and key management personnel who can influence such individuals or be influenced by them in the course of transactions with the Bank.

At 30 June 2013, the outstanding balances with related parties were as follows:

|  | Participants | Key management personnel | Other companies under common control | Other related parties |
|--|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>   |              |                          |                                      |                       |
| Cash and cash equivalents  | -            | -                        | 380 563                              | -                     |
| Trading securities   | -            | -                        | 126 487                              | -                     |
| Due from other banks   | -            | -                        | 55 500                               | -                     |
| Gross amount of loans and advances to customers (contractual interest rate: 9.0 – 26.0%) | 176 673      | 70 848                   | 186 471                              | 203                   |
| Other non-financial assets   | -            | 86                       | 1 664                                | -                     |
| Due to other banks   | -            | -                        | 788 337                              | -                     |
| Customer accounts (contractual interest rate: 3.5% - 11.3%)                              | 908 276      | 475 864                  | 26 027                               | 12 836                |
| Debt securities in issue   | -            | 22 787                   | 582 106                              | -                     |
| Other financial liabilities  | -            | 49                       | 2                                    | -                     |
| Other non-financial liabilities  | 107          | 1 070                    | -                                    | -                     |

The income and expense items with related parties for the reporting period were as follows:

|  | Participants | Key management personnel | Other companies under common control | Other related parties |
|--|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>                               |              |                          |                                      |                       |
| Interest income  | 8 729        | 3 130                    | 56 110                               | 2                     |
| Interest expense   | (23 397)     | (19 877)                 | (26 726)                             | (352)                 |
| Provision for loan impairment  | (48)         | (132)                    | (2 360)                              | 8                     |
| Gains less losses from trading in foreign currencies                 | 275          | 50                       | 15 420                               | 32                    |
| Foreign exchange translation (losses less gains) / gains less losses | (18 165)     | (8 736)                  | 8 679                                | (2)                   |
| Gains from disposal of loans and advances to customers               | -            | -                        | 2 000                                | -                     |
| Fee and commission income  | 320          | 280                      | 2 292                                | 28                    |
| Fee and commission expense   | -            | (3)                      | (740)                                | -                     |
| Other operating income   | -            | -                        | 422                                  | -                     |
| Administrative and other operating expenses                          | (257)        | (76 078)                 | (1 892)                              | (1 125)               |

**Limited Liability Company Expobank**  
**Notes to the Condensed Interim Financial Information– 30 June 2013**

**19 Related Party Transactions (Continued)**

At 30 June 2013, other rights and obligations with related parties were as follows:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>            |              |                          |                                      |                       |
| Guarantees received by the Bank at the period end | 897 177      | -                        | -                                    | 14 986                |
| Other contingent obligations                      | 2 000        | 3 466                    | 75 610                               | 253                   |

Aggregate amounts lent to and repaid by related parties during the six months of 2013 ended 30 June 2013 were:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>                        |              |                          |                                      |                       |
| Amounts lent to related parties during the reporting period   | -            | 56 666                   | 630 122                              | 3 709                 |
| Amounts repaid by related parties during the reporting period | -            | 18 415                   | 661 018                              | 3 506                 |

At 31 December 2012, the outstanding balances with related parties were as follows:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>                                  |              |                          |                                      |                       |
| Cash and cash equivalents   | -            | -                        | 39 343                               | -                     |
| Loans and advances to customers (contractual interest rate: 9.0%-26.0%) | 167 992      | 65 042                   | 167 123                              | -                     |
| Other financial assets  | -            | 1                        | 36                                   | -                     |
| Other non-financial assets  | -            | 185                      | 1 074                                | -                     |
| Due from other banks (contractual interest rate: 0.15%-8.0%)            | -            | -                        | 2 816 149                            | -                     |
| Customer accounts (contractual interest rate: 0.8%-11.0%)               | 749 150      | 309 502                  | 102 760                              | 3 126                 |
| Debt securities in issue  | -            | 20 681                   | -                                    | -                     |
| Other financial liabilities   | -            | -                        | 17 488                               | -                     |
| Other non-financial liabilities   | 811          | 5 181                    | 127                                  | 292                   |



**19 Related Party Transactions (Continued)**

The income and expense items with related parties at 30 June 2012 were as follows:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>                                    |              |                          |                                      |                       |
| Interest income   | -            | 92                       | 4 777                                | -                     |
| Interest expense  | (25 689)     | (98)                     | (33 750)                             | (1)                   |
| Provision for loan impairment   | -            | (10)                     | (1 466)                              | -                     |
| Gains less losses from trading in foreign currencies                      | -            | -                        | 84 492                               | -                     |
| (Losses net of gains)/gains less losses from foreign exchange translation | (22 558)     | (524)                    | 8 969                                | -                     |
| Fee and commission income   | 19           | 93                       | 438                                  | 2                     |
| Fee and commission expense  | -            | -                        | (380)                                | -                     |
| Other operating income  | -            | -                        | 360                                  | -                     |
| Administrative and other operating expenses                               | (3 782)      | (50 694)                 | (2 516)                              | (849)                 |

At 31 December 2012, other rights and obligations with related parties were as follows:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>          |              |                          |                                      |                       |
| Guarantees received by the Bank at the year end | 303 727      | 1 720                    | -                                    | -                     |
| Other contingent obligations                    | 2 000        | 2 201                    | 50 000                               | 1 456                 |

Aggregate amounts lent to and repaid by related parties during 2012, ended on 31 December 2012, were:

|   | Participants | Key management personnel | Other companies under common control | Other related parties |
|---|--------------|--------------------------|--------------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i>            |              |                          |                                      |                       |
| Amounts lent to related parties during the year   | 341 704      | 73 157                   | 5 473 432                            | 5 138                 |
| Amounts repaid by related parties during the year | 172 772      | 10 444                   | 5 383 835                            | 2 907                 |

**19 Related Party Transactions (Continued)**

Key management compensation is presented below:

| <i>In thousands of Russian Roubles</i> | <b>30 June 2013</b> |                          | <b>30 June 2012</b> |                          |
|--|---------------------|--------------------------|---------------------|--------------------------|
|  | <b>Expense</b>      | <b>Accrued liability</b> | <b>Expense</b>      | <b>Accrued liability</b> |
| <i>Short-term benefits:</i>            |                     |                          |                     |                          |
| - Salaries                             | 76 379              | -                        | 48 082              | -                        |
| - Short-term bonuses                   | 1 869               | -                        | 5 123               | -                        |
| <b>Total</b>                           | <b>78 248</b>       | <b>-</b>                 | <b>53 205</b>       | <b>-</b>                 |

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

**20 Business Combinations**

On 7 March 2013, OOO Expobank and OOO CB Stromcombank successfully completed the consolidation process. OOO Expobank was reorganised in the form of the merger with Limited liability company CB Stromcombank and registered the amendments to the Bank's Charter related to an increase in the Bank's share capital resulting from the reorganisation by RR 93 577 thousand. As a result of the merger, OOO CB Stromcombank continues its operations as a branch of OOO Expobank in Krasnoyarsk.

In March 2013, subsidiary OAO Sibbusinessbank (100% owned by OOO Expobank) was reorganised into Limited liability company Siberian Business Development Bank. On 21 June 2013, OOO Expobank and OOO Sibbusinessbank successfully completed the process of merging OOO Sibbusinessbank with OOO Expobank.

**21 Events After the End of the Reporting Period**

On 23 September 2013, the Board of Directors approved the decision to issue the Bank's commercial bonds of RR 6.5 billion. The Bank plans to issue 1.5 million of series BO-01 commercial bonds, 2 million of series BO-02 commercial bonds and 3 million of series BO-03 commercial bonds. The issues are to be placed by open subscription, the maturity is three years (1104 days). The bonds are subject to early redemption at the request of their owners.

On 1 August 2013, the Bank acquired 100% of Limited liability company FB Leasing (OOO FB Leasing). The Bank obtained control over financial and operational activities of the subsidiary from August 2012.

OOO FB Leasing is a Russian subsidiary of the large European independent leasing company VR-LEASING AG (Germany). OOO FB Leasing has been operating in the Russian market since 2005 and doing business in three main areas: leasing of motor vehicles, construction and special-purpose machinery and equipment.

At 1 August 2013, OOO FB Leasing had its headquarters in Moscow and a regional office in St. Petersburg.

**21 Events After the End of the Reporting Period (Continued)**

The details of the acquired assets are as follows:

| <i>In thousands of Russian Roubles</i>      | <b>30 June<br/>2013</b> |
|---|-------------------------|
| Intangible assets                           | 818                     |
| Premises and equipment                      | 8 000                   |
| Long-term finance lease receivables         | 879 100                 |
| <b>Total non-current assets</b>             | <b>887 918</b>          |
| Inventories                                 | 13 306                  |
| Short-term finance lease receivables        | 1 494 144               |
| Due from other banks                        | 51 022                  |
| Due from other legal entities               | 2 759                   |
| Other current assets                        | 34 953                  |
| Taxes recoverable                           | 21 694                  |
| Cash and cash equivalents                   | 15                      |
| <b>Total current assets</b>                 | <b>1 617 893</b>        |
| <b>TOTAL ASSETS</b>                         | <b>2 505 811</b>        |
| Loans and borrowings received               | 961 957                 |
| Deferred tax liability                      | 678                     |
| <b>Total non-current liabilities</b>        | <b>962 635</b>          |
| Loans and borrowings received               | 1 560 381               |
| Trade payables                              | 2 972                   |
| Other current liabilities to legal entities | 26 084                  |
| Other current assets                        | 68 549                  |
| Other current liabilities                   | 31 738                  |
| Tax liabilities                             | 73 444                  |
| <b>Total current liabilities</b>            | <b>1 763 168</b>        |
| <b>TOTAL LIABILITIES</b>                    | <b>2 725 803</b>        |
| <b>Net deficit of subsidiary</b>            | <b>(219 992)</b>        |

The values of assets and liabilities are determined based on the financial statements of OOO FB Leasing under the International Financial Reporting Statements at 30 June 2013. At the date of the transaction the value of the transferred consideration equals the value of the OOO FB Leasing share capital, and the amount paid to the seller as assignment to the Bank of rights of claim in respect of loans received from the holding company. The Bank currently evaluates goodwill associated with the subsidiary acquisition in accordance with IFRS 3 Business Combinations. The amount of goodwill will be calculated as part of preparation of 2013 annual IFRS financial statements.

O. Kucheroва, Director,  
ZAO PricewaterhouseCoopers Audit

23 September 2013



44 ( forty four ) pages are numbered, bounded and sealed.