

MARITIME BANK
(Open Joint-Stock Company)

International Financial Reporting Standards
Financial Statements and Independent Auditor's
Report 31 December 2012

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Independent Auditor's Report

To the Shareholders and Board of Directors of MARITIME BANK (Open Joint-Stock Company):

We have audited the accompanying financial statements of MARITIME BANK (Open Joint-Stock Company) (the "Bank"), which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Independent Auditor's Report (continued)

Opinion

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

ZAO PricewaterhouseCoopers Audit
30 April 2013
Moscow, Russian Federation
Иванов
E.I. Kopyanova, Director (qualification certificate No 01-000398),
ZAO PricewaterhouseCoopers Audit



MARITIME BANK
(Open Joint-Stock Company)
State registration certificate No. 020.694
issued by the Moscow Registration Bureau on 30 December 1992

Certificate of inclusion in the Unified State Register of Legal Entities
No. 1027700568224 issued on 24 December 2002

Varshavskoye shosse, 1, bld. 1-2, Moscow, 117105

Independent Auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate No. 008.890
issued by the Moscow Registration Bureau on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities
No. 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

MARITIME BANK
(Open Joint-Stock Company)
Statement of Financial Position

<i>In thousands of Russian Roubles</i>	Note	31 December 2012	31 December 2011
ASSETS			
Cash and Cash Equivalents	7	2 073 713	2 416 305
Mandatory cash balances with the Bank of Russia		170 770	139 306
Trading securities	8	1 590 208	-
Due from other banks	9	166 442	2 222
Loans and advances to customers	10	10 634 876	9 750 662
Investment securities available for sale	11	254 149	3 346 032
Current income tax asset		6 599	34 185
Deferred income tax asset	26	-	5 797
Premises, equipment and intangible assets	12	577 385	76 075
Other financial assets		2 181	995
Other assets	13	10 333	129 084
TOTAL ASSETS		15 486 656	15 900 663
LIABILITIES			
Due to the Bank of Russia		124 778	-
Due to other banks	14	2 497 694	1 946 589
Customer accounts	15	9 716 027	10 791 994
Debt securities in issue	16	517 144	821 504
Current income tax liability		15 044	7 168
Deferred tax liability	26	769	-
Subordinated debt	17	677 212	506 856
Other financial liabilities	18	16 677	12 631
Other liabilities	19	72 935	86 091
TOTAL LIABILITIES		13 638 280	14 172 833
EQUITY			
Share capital	20	1 261 863	1 261 863
Revaluation reserve for premises		11 146	38 387
Revaluation reserve for available-for-sale investment securities		(1 372)	(63 968)
Retained earnings		576 739	491 548
TOTAL EQUITY		1 848 376	1 727 830
TOTAL LIABILITIES AND EQUITY		15 486 656	15 900 663

Approved for issue and signed on behalf of the Board of Directors on 30 April 2013



Yu. V. Bardin
 Chairman of the Management Board

E.A. Alekseeva
 Chief Accountant

MARITIME BANK
(Open Joint-Stock Company)
Statement of Comprehensive Income

<i>In thousands of Russian Roubles</i>	Note	2012	2011
Interest income	23	1 457 426	1 394 823
Interest expense	23	(683 982)	(551 066)
Net interest income		773 444	843 757
Provision for impairment of loans and advances to customers and amounts due from other banks	9, 10	(220 154)	(106 370)
Net interest income after provision for loan impairment		553 290	737 387
Fee and commission income	24	199 710	165 747
Fee and commission expense	24	(20 238)	(15 882)
Gains less losses/(losses less gains) from investment securities available for sale		36 287	(1 054)
Reversal of loss/(impairment loss) from impairment of securities available for sale	11	3 872	(259)
Losses less gains from trading in foreign currencies		(116 931)	(50 772)
Foreign exchange translation gains less losses		156 031	125 672
Losses net of gains from financial derivatives		(1 670)	(8 344)
Gains from sale of loans	10	12 792	3 835
Other operating income		21 673	2 214
Provision for impairment of financial assets held to maturity	11	(11 630)	-
Provision for impairment of other assets	13	(5 011)	(4 419)
Administrative and other operating expenses	25	(493 728)	(500 026)
Profit before tax		334 447	454 099
Income tax expense	26	(87 643)	(95 651)
Profit for the year		246 804	358 448
Other comprehensive income/(loss):			
Gains less losses/(losses less gains) from revaluation of investment securities available for sale	11	7 825	(63 624)
Gains less losses recycled to profit upon disposal or impairment of investment securities available for sale	10	70 420	105 842
Revaluation of premises	12	13 933	2 600
Income tax recorded directly in other comprehensive income	26	(18 436)	(8 963)
Other comprehensive income for the year		73 742	35 855
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		320 546	394 303

The notes set out on pages 5 to 70 form an integral part of these financial statements.

MARITIME BANK
(Open Joint-Stock Company)
Statement of Changes in Equity

<i>In thousands of Russian Roubles</i>	Share capital	Revaluation reserve for premises	Revaluation reserve for available-for-sale securities	Retained earnings	Total
Balance at 1 January 2011	1 261 863	37 088	(97 743)	132 319	1 333 527
Profit for the year	-	-	-	358 448	358 448
Other comprehensive income	-	2 080	33 775	-	35 855
Total comprehensive income for 2011	-	2 080	33 775	358 448	394 303
Transfer of depreciation of the revaluation reserve for premises to retained earnings	-	(781)	-	781	-
Balance at 31 December 2011	1 261 863	38 387	(63 968)	491 548	1 727 830
Profit for the year	-	-	-	246 804	246 804
Other comprehensive income	-	11 146	62 596	-	73 742
Total comprehensive income for 2012	-	11 146	62 596	246 804	320 546
Transfer of revaluation surplus on premises to retained earnings	-	(38 387)	-	38 387	-
Dividends declared	-	-	-	(200 000)	(200 000)
Balance at 31 December 2012	1 261 863	11 146	(1 372)	576 739	1 848 376

The notes set out on pages 5 to 70 form an integral part of these financial statements.

MARITIME BANK
(Open Joint-Stock Company)
Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	Note	2012	2011
Cash flows from operating activities			
Interest received		1 470 401	1 463 868
Interest paid		(709 118)	(563 757)
Fees and commissions received		199 742	165 671
Fees and commissions paid		(20 421)	(15 882)
Income received/(expenses incurred) from financial derivatives		2 774	(2 209)
Expenses incurred from trading in foreign currencies		(116 932)	(50 772)
Other operating income received		1 128	2 256
Income received/(expenses incurred) from trading in securities available for sale		36 287	(1 054)
Administrative and other operating expenses paid		(493 669)	(445 481)
Gains from sale of loans	10	12 792	3 835
Income tax paid		(64 051)	(110 014)
Cash flows from operating activities before changes in operating assets and liabilities		318 933	446 461
Net increase in mandatory cash balances with the Bank of Russia		(31 464)	(34 141)
Net (increase)/decrease in due from other banks		(201 014)	374 135
Net increase in trading securities		(1 559 138)	-
Net increase in loans and advances to customers		(1 198 586)	(1 614 181)
Net increase in investment securities held to maturity		(11 630)	-
Net increase in other financial assets		(1 189)	(121)
Net decrease/(increase) in other assets		109 729	(110 708)
Net increase in due to the Bank of Russia		124 721	-
Net increase in due to other banks		546 332	535 662
Net decrease in customer accounts		(752 272)	(111 767)
Net decrease in promissory notes issued		(298 300)	(89 140)
Net (decrease)/increase in other financial liabilities		(398)	3 065
Net increase/(decrease) in other liabilities		15 177	(536)
Net cash used in operating activities		(2 939 099)	(601 271)
Cash flows from investing activities			
Acquisition of investment securities available for sale		(3 703 611)	(10 260 429)
Proceeds from disposal of investment securities available for sale		6 747 219	11 064 780
Acquisition of premises and equipment	12	(557 691)	(4 132)
Proceeds from disposal of premises and equipment	12	76 279	-
Net cash from investing activities		2 562 196	800 219
Cash flows from financing activities			
Proceeds from subordinated debt		243 103	-
Repayment of subordinated debt		(40 000)	-
Dividends paid		(199 715)	-
Net cash from financing activities		3 388	-
Effect of exchange rate changes on cash and cash equivalents		30 923	(45 746)
Net increase in cash and cash equivalents		(342 592)	153 202
Cash and cash equivalents at the beginning of the year	7	2 416 305	2 263 103
Cash and cash equivalents at the end of the year	7	2 073 713	2 416 305

The notes set out on pages 5 to 70 form an integral part of these financial statements.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2012 for MARITIME BANK (Open Joint-Stock Company) (the "Bank").

The Bank was established on 17 February 1989 on a unit basis by the decision of founders and registered by the State Bank of the USSR on 29 March 1989. On 19 August 1992, the Bank was reorganised as an open joint-stock company.

As at 31 December 2012 the main shareholder of the Bank is OOO Agency of TEK Investments and Development which owns 99.85% of the Bank (2011: 99.85%). The ultimate beneficiaries of the Bank are S.V. Generalov (80%) and S.V. Povarenkin (20%).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank received a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") on 25 September 2003. In addition the Bank has licenses for transactions with securities (broker, dealer and depository activities) issued by the Federal Service on Financial Markets and a license for operations with precious metals issued by the Bank of Russia.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has four (2011: four) branches in Saint-Petersburg, Kaliningrad, Vladivostok and Novorossiysk and three (2011: three) operational offices in Murmansk, Volgograd and Nakhodka. The Bank had 303 employees at 31 December 2012 (2011: 286 employees).

Registered address and place of business. Legal and actual address of the Bank: Varshavskoye shosse, 1, bld 1-2, Moscow, Russian Federation, 117105.

The Bank's principal places of business are Moscow, Saint Petersburg, Kaliningrad, Vladivostok, Novorossiysk, Volgograd, Nakhodka, Leningrad Region, Murmansk Region, Kaliningrad Region and Moscow Region.

Presentation currency. These financial statements are presented in Russian Roubles ("RR"), 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 (Note 29).

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).

2 Operating Environment of the Bank (Continued)

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 circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of financial instruments at fair value through profit or loss and by the revaluation of premises and equipment and investment securities available for sale, at fair value in other comprehensive income. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below (Note 31).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or asking price to the net open position as appropriate. If quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments. Refer to Notes 4 and 11.

3 Summary of Significant Accounting Policies (Continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation technique to determine the fair value of currency swaps and currency forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the currency swaps and currency forwards.

3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include interbank overnight loans, interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months and settlements with currency and stock exchanges. Funds restricted on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost (Refer to Note 7).

Mandatory cash balances with the CBRF. Mandatory cash balances with the Bank of Russia are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank's day to day operations. and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the statement of comprehensive income as interest income. Dividends are included in statement of comprehensive income within other operating income when the Bank's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition of trading securities are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost (Refer to Note 9).

3 Summary of Significant Accounting Policies (Continued)

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any (Refer to Note 31).

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower’s financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

3 Summary of Significant Accounting Policies (Continued)

Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans.

Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period (Refer to Note 29).

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices (Refer to Note 11).

3 Summary of Significant Accounting Policies (Continued)

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year in gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

3 Summary of Significant Accounting Policies (Continued)

Promissory notes purchased. Promissory notes purchased are included in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets (Refer to Notes 9 and 10).

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required (Refer to Note 12).

Premises of the Bank recorded at the fair value are held at revalued amount subject to revaluation to market value on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued.

The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank.

In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises have been revalued to market value at 31 December 2012. Revaluation is based on the report of independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. The basis used for the appraisal was fair value.

Management has updated the carrying value of the building measured in accordance with the revaluation model at the end of the reporting period using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to fixed assets at their carrying amount at transfer. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recorded for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

3 Summary of Significant Accounting Policies (Continued)

Depreciation. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	32 years
Premises power supply	21 year
Office equipment	4 years
Computer equipment	2.5 years
Other equipment	5 years

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date (Refer to Note 12).

Intangible assets. Intangible assets of the Bank include trade mark (service mark). It is amortised on a straight line basis over expected useful life of 10 years (Refer to Note 12).

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost (Refer to Note 14).

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost (Refer to Note 15).

Debt securities in issue. Debt securities in issue include promissory notes issued by the Bank. Debt securities in issue are stated at amortised cost (Refer to Note 16).

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value (Refer to Note 30).

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in gains or losses (gains less losses arising from financial derivatives). The Bank does not apply hedge accounting.

3 Summary of Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity (Refer to Note 26).

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Share capital. Ordinary shares and discretionary dividends are classified as equity (Refer to Note 20).

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations (Refer to Note 21).

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts (Refer to Note 23).

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability (for example fees for issuing loans and maintaining a loan account). The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of shares and other securities, which are earned on execution of the underlying transaction are recorded on its completion. Other management advisory and services are recognised based on the applicable service contracts, usually on a time-proportion basis. The same principle is applied for deposit services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates, i.e. the currency of the Russian Federation – the Russian Rouble.

Monetary assets and liabilities are translated into Russian roubles at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Russian roubles at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value revaluation gain or loss.

3 Summary of Significant Accounting Policies (Continued)

As at 31 December 2012 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.3727 (2011: USD 1 = RR 32.1961) and EUR 1 = RR 40.2286 (2011: EUR 1 = RR 41.6714).

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

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme (Refer to Note 25).

Amendments of the financial statements after issue. The Bank's shareholders and management have the power to amend the financial statements after issue.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in descending order of their liquidity. Maturity analysis of financial assets and liabilities is disclosed in Note 27.

The following table provides information on non-financial assets and liabilities expected to be recovered or settled before and after twelve months after the reporting period.

<i>In thousands of Russian Roubles</i>	Amounts expected to be recovered/settled within twelve months after the reporting period	Amounts expected to be recovered/settled after twelve months after the reporting period	Total
At 31 December 2012			
Other assets	7 199	3 134	10 333
Other liabilities	72 935	-	72 935
At 31 December 2011			
Other assets	125 346	3 738	129 084
Other liabilities	86 080	11	86 091

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 loss on loans and advances to customers. 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. 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 5% 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 51 147 thousand (2011: RR 43 496 thousand), respectively.

Valuation of own use premises. Premises of the Bank are stated at fair value based on reports prepared by valuation company ZAO BEFL specialising in property valuation. In the course of the valuation the appraisers used cost, income and comparative approaches.

The cost approach assumes that the costs associated with the construction of the property (with account for depreciation) in the aggregate with fair value of the rights to the land plot where the property is located are an acceptable reference point for determining the property's fair value. The peculiarity of the cost approach application is understanding the difference between the reproduction cost and the replacement cost of the property.

The income approach assumes that value of real estate equals current (present) value of rights for future income. It reflects a possibility to get income from operation of the real estate item under valuation.

The comparative approach is based on analysis of real estate purchase-sale offers. Therefore, if there is an active real estate market in a region this approach ensures fair value of property under valuation.

The cost approach to property valuation is applied mainly in cases of insufficient information on sale and purchase of similar property. Moreover, the cost approach is not applied to valuation of built-in premises as singling out the portion of cost that is attributable to the property under valuation from the fair value of the total building may lead to significant errors.

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

Based on the above, the appraisers concluded that it is unreasonable to use the cost approach.

In developed markets the best approximation of fair value is derived from comparative and income approach calculations as they reflect actual current asking prices, which are the basis for future trading between buyers and sellers in a deal.

The income approach is used if there is reliable information which allows to forecast future income that may be generated by the asset under valuation and expenses related to it. In the current environment, the appraiser had no access to reliable information which allows to forecast future income that may be generated by the asset under valuation and expenses related to it. Calculations were based on the appraiser's judgement built on personal experience and forecasts of the Ministry of Economic Development of the Russian Federation. On this basis the decision was made not to use the results of the income approach within this valuation. Therefore within this valuation 100.0% weight was allocated to the comparative approach.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Bank from 1 January 2012:

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The standard requires these new disclosures to be presented in a separate note.

Other revised standards and interpretations: The amendments to IFRS 1, *First-Time Adoption of IFRS*, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, will not have any impact on these financial statements. The amendment to IAS 12, *Income taxes*, which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these financial statements.

6 New Accounting Pronouncements

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.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation - special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The amendments will not have any significant impact on the Bank's financial statements.

6 New Accounting Pronouncements (Continued)

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 amendment will not have an impact on the Bank's financial statements.

IFRS 12, Disclosure of Interests 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 amendments will not have any significant impact on the Bank's 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 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 amendments will not have any significant impact on the Bank's 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.

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 amendments will not have any significant impact on the Bank's financial statements.

6 New Accounting Pronouncements (Continued)

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.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 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.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 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.

6 New Accounting Pronouncements (Continued)

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.

Also, certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013, that are still to be recognized for application in the Russian Federation, and that the Group has not early adopted:

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 amendments will not have any significant impact on the Bank's financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Bank is considering the implications of the amendment, the impact on the Bank and the timing of its adoption by the Bank.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

6 New Accounting Pronouncements (Continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Bank does not expect the amendments to have a material effect on its financial statements.

7 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Cash balances with the CBRF, other than mandatory reserve deposits	1 205 789	1 412 246
Correspondent accounts and overnight placements with other banks	562 789	836 344
Cash on hand	164 042	146 868
Settlements with currency and stock exchanges	141 093	20 847
Total cash and cash equivalents	2 073 713	2 416 305

As at 31 December 2012 the Bank had cash balances with one counterparty bank (2011: two banks) and the Bank of Russia with total balances above 10.0% of total cash and cash equivalents. As at 31 December 2012 the total aggregate amount of these balances was RR 1 534 851 thousand (2011: RR 2 108 141 thousand) or 74% of the total amount of cash and cash equivalents (2011: 87.2%).

As at 31 December 2012 and 31 December 2011, all cash and cash equivalents are neither past due nor impaired with no impairment indicators.

The Bank does not have renegotiated balances representing the carrying amount of due from other banks that would otherwise be past due, whose terms have been renegotiated.

The Bank analyses cash quality based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poors reconciling them to rating categories through an adjustment table.

7 Cash and Cash Equivalents (Continued)

The credit quality of cash equivalents balances may be summarised as follows at 31 December 2012:

<i>In thousands of Russian Roubles</i>	Cash balances with the CBRF, other than mandatory reserve deposits	Correspon- dent accounts and overnight placements	Settlements with currency and stock exchanges	Total
<i>Neither past due nor impaired</i>				
- the CBRF	1 205 789	-	-	1 205 789
- A2 rated	-	60 026	-	60 026
- A3 rated	-	43 831	-	43 831
- B1 rated	-	329 062	-	329 062
- Baa1 rated	-	1 954	-	1 954
- Baa2 rated	-	34	-	34
- Ba3 rated	-	620	-	620
- Baa3 rated	-	65 281	-	65 281
- B3 rated	-	2 791	-	2 791
- Unrated	-	59 190	141 093	200 283
Total cash equivalents	1 205 789	562 789	141 093	1 909 671

The credit quality of cash equivalents balances may be summarised as follows at 31 December 2011:

<i>In thousands of Russian Roubles</i>	Cash balances with the CBRF, other than mandatory reserve deposits	Correspon- dent accounts and overnight placements	Settlements with currency and stock exchanges	Total
<i>Neither past due nor impaired</i>				
- the CBRF	1 412 246	-	-	1 412 246
- A1 rated	-	387 571	-	387 571
- Aa3 rated	-	308 343	-	308 343
- Baa1 rated	-	1	-	1
- Baa2 rated	-	37 554	-	37 554
- Ba3 rated	-	11	-	11
- Baa3 rated	-	53 479	-	53 479
- B3 rated	-	1 523	-	1 523
- Unrated	-	47 862	20 847	68 709
Total cash equivalents	1 412 246	836 344	20 847	2 269 437

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 27.

Refer to Note 31 for the estimated fair value of each class of cash and cash equivalents.

MARITIME BANK
(Open Joint-Stock Company)
Notes to the Financial Statements – 31 December 2012

8 Trading Securities

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Corporate bonds	1 224 337	-
Russian government bonds	365 871	-
Total trading securities	1 590 208	-

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Bank does not analyse or monitor impairment indicators.

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

<i>In thousands of Russian Roubles</i>	Russian government bonds	Corporate bonds	Total
<i>Neither past due nor impaired (at fair value)</i>			
- Baa1 rated	365 871	93 207	459 078
- Baa3 rated		3 248	3 248
- Ba1 rated	-	218 110	218 110
- Ba2 rated	-	46 484	46 484
- Ba3 rated	-	629 826	629 826
- B2 rated		98 803	98 803
- B3 rated	-	134 659	134 659
Total trading securities	365 871	1 224 337	1 590 208

Trading securities are represented by Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation and corporate bonds denominated in Russian Roubles and USD.

Interest rate analysis of trading securities is disclosed in Note 27.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

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9 Due from Other Banks

	31 December 2012	31 December 2011
<i>In thousands of Russian Roubles</i>		
Discounted promissory notes of credit institutions	162 747	528
Current accounts with banks	5 873	2 237
Less: Provision for impairment of amounts due from other banks	(2 178)	(543)
Total due from other banks	166 442	2 222

Amounts due from other banks are not collateralised.

The Bank analyses due from other banks credit quality based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poors reconciling them to rating categories through an adjustment table.

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2012, is as follows:

	Current accounts with banks	Discounted promissory notes of credit institutions	Total
<i>In thousands of Russian Roubles</i>			
<i>Neither past due nor impaired</i>			
- Baa2 rated	3 415	-	3 415
- B3 rated	28	-	28
- Caa1 rated	-	152 067	152 067
- Unrated	2 430	10 152	12 582
Total neither past due, nor impaired amounts due from other banks	5 873	162 219	168 092
<i>Individually impaired</i>			
- over 365 days overdue	-	528	528
Total individually impaired	-	528	528
Less: Provision for impairment of amounts due from other banks	(28)	(2 150)	(2 178)
Total due from other banks	5 845	160 597	166 442

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9 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2011, is as follows:

<i>In thousands of Russian Roubles</i>	Current accounts with banks	Discounted promissory notes of credit institutions	Total
<i>Neither past due nor impaired</i>			
- Baa2 rated	2 222	-	2 222
Total neither past due, nor impaired amounts due from other banks	2 222	-	2 222
<i>Individually impaired</i>			
- B3 rated	15	-	15
- over 365 days overdue	-	528	528
Total individually impaired	15	528	543
Less: Provision for impairment of amounts due from other banks	(15)	(528)	(543)
Total due from other banks	2 222	-	2 222

The primary factor that the Bank considers in determining whether amounts due from other banks are impaired is their overdue status. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

The Bank does not have renegotiated balances representing the carrying amount of due from other banks that would otherwise be past due, whose terms have been renegotiated.

Movements in the provision for impairment of due from other banks are as follows:

<i>In thousands of Russian Roubles</i>	2012		2011	
	Current accounts with other banks	Discounted promissory notes of credit institutions	Current accounts with other banks	Discounted promissory notes of credit institutions
Provision for impairment of amounts due from other banks at 1 January	15	528	-	528
Provision for impairment of amounts due from other banks during the year	13	1 622	15	-
Provision for impairment of amounts due from other banks at 31 December	28	2 150	15	528

As at 31 December 2012 the Bank had balances with one counterparty bank (2011: one bank) with total balances above 10.0% of total due from other banks. The total amount of these balances was RR 152 067 thousand (2011: RR 2 222 thousand) or 91.4% of the total due from other banks (2011: 100%).

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 27.

Refer to Note 31 for the estimated fair value of each class of amounts due from other banks.

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10 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	2012	2011
Corporate loans	11 255 221	9 164 570
Loans to individuals	236 496	276 058
Loans to state and municipal organisations (FGUP)	166 101	174 137
Reverse sale and repurchase agreements	-	1 005 825
Less: Provision for impairment of loans and advances to customers	(1 022 942)	(869 928)
Total loans and advances to customers	10 634 876	9 750 662

Corporate loans comprise loans to legal entities. Loans are granted for current needs (working capital financing, acquisition of movable and real estate, portfolio investments, expansion and consolidation of business, etc.). Loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and export-import transactions. The repayment source is cash flow from operating or financial activities of the borrower.

Loans to individuals are issued for consumer needs, car loans, housing acquisition, construction and reconstruction and overdrafts.

Loans to state and municipal organisations comprise corporate loans to federal state unitary enterprises (FGUP).

As at 31 December 2012 loans and advances to customers of RR 165 861 thousand (2011: RR 72 899 thousand) are secured with the Bank's own promissory notes with pledged value of RR 124 891 thousand (2011: RR 56 050 thousand). For the year ended 31 December 2012 the Bank received interest income on these loans of RR 8 258 thousand (2011: RR 6 744 thousand) and incurred interest expenses on own promissory notes issued of RR 3 465 thousand (2011: RR 1 831 thousand). Refer to Note 16.

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10 Loans and Advances to Customers (Continued)

Credit quality of the loans and advances to customers. Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Loans to state and municipal organisations (FGUP)	Loans to individuals	Reverse sale and repurchase agreements	Total
<i>Neither past due nor impaired</i>					
- Large borrowers	5 599 665	-	-	-	5 599 665
- Loans to medium size entities	3 112 735	-	-	-	3 112 735
- Small borrowers	1 526 689	-	220 513	-	1 747 202
Total neither past due nor impaired loans and advances to customers	10 239 089	-	220 513	-	10 459 602
<i>Past due but not impaired</i>					
- less than 30 days overdue	95 448	-	1 321	-	96 769
- over 90 days overdue	-	-	-	-	-
Total past due but not impaired loans and advances to customers	95 448	-	1 321	-	96 769
<i>Individually impaired</i>					
- without delays in payment	66 417	-	-	-	66 417
- less than 30 days overdue	33 445	-	-	-	33 445
- 31 to 90 days overdue	32 467	-	-	-	32 467
- over 91 days overdue	788 355	166 101	14 662	-	969 118
Total individually impaired loans and advances to customers	920 684	166 101	14 662	-	1 101 447
Total loans and advances to customers (before impairment)	11 255 221	166 101	236 496	-	11 657 818
Less: Provision for impairment of loans and advances to customers	(838 510)	(166 101)	(18 331)	-	(1 022 942)
Total loans and advances to customers	10 416 711	-	218 165	-	10 634 876

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10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Loans to state and municipal organisations (FGUP)	Loans to individuals	Reverse sale and repurchase agreements	Total
<i>Neither past due nor impaired</i>					
- Large borrowers	3 574 652	-	-	1 005 825	4 580 477
- Loans to medium size entities	3 666 472	-	51 572	-	3 718 044
- Small borrowers	1 144 385	8 999	194 454	-	1 347 838
Total neither past due nor impaired loans and advances to customers	8 385 509	8 999	246 026	1 005 825	9 646 359
<i>Past due but not impaired</i>					
- less than 30 days overdue	-	-	10 127	-	10 127
- over 90 days overdue	-	-	5 013	-	5 013
Total past due but not impaired loans and advances to customers	-	-	15 140	-	15 140
<i>Individually impaired</i>					
- without delays in payment	54 419	-	-	-	54 419
- less than 30 days overdue	54 266	-	-	-	54 266
- 30 to 90 days overdue	96 661	-	-	-	96 661
- over 91 days overdue	573 715	165 138	14 892	-	753 745
Total individually impaired loans and advances to customers	779 061	165 138	14 892	-	959 091
Total loans and advances to customers (before impairment)	9 164 570	174 137	276 058	1 005 825	10 620 590
Less: Provision for impairment of loans and advances to customers	(690 410)	(165 138)	(14 380)	-	(869 928)
Total loans and advances to customers	8 474 160	8 999	261 678	1 005 825	9 750 662

10 Loans and Advances to Customers (Continued)

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and booked portfolio provisions for incurred impairment losses. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

Neither past due nor impaired loans include three classes: loans to large borrowers, loans to medium size entities and loans to small entities. Loans to borrowers with outstanding loan amount above RR 170 000 thousand at 31 December 2012 (2011: RR 130 000 thousand) are recognised as loans to large borrowers. Loans to borrowers or a group of related borrowers with outstanding loan amount from RR 70 000 to RR 170 000 thousand (2011: from RR 40 000 to RR 130 000 thousand) are recognised as loans to medium size entities. Loans to borrowers or a group of related borrowers with outstanding loan amount below RR 70 000 thousand (2011: below RR 40 000 thousand) are recognised as loans to small business.

Provision for impairment of loans and advances to customers. Movements in the provision for impairment of loans and advances to customers during 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Loans to state and municipal organisations (FGUP)	Loans to individuals	Total
Provision for impairment of loans and advances to customers at 1 January 2012	690 410	165 138	14 380	869 928
Provision for impairment of loans and advances to customers during the year	213 605	963	3 951	218 519
Recovery of provision for disposed loans and advances to customers	(65 505)	-	-	(65 505)
Provision for impairment of loans and advances to customers at 31 December 2012	838 510	166 101	18 331	1 022 942

Provision for disposed loans is a recovery of provision for loans of RR 65 505 thousand, which were disposed under the cession agreement. The statement of comprehensive income reflects gains from disposals of loans of RR 12 792 thousand.

10 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans and advances to customers during 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Loans to state and municipal organisations (FGUP)	Loans to individuals	Total
Provision for impairment of loans and advances to customers at 1 January 2011	614 243	171 645	30 779	816 667
Provision/(recovery of provision) for impairment of loans and advances to customers during the year	127 756	(6 507)	(14 894)	106 355
Recovery of provision for disposed loans and advances to customers	(51 589)	-	-	(51 589)
Loans and advances to customers written off during the year as uncollectible	-	-	(1 505)	(1 505)
Provision for impairment of loans and advances to customers at 31 December 2011	690 410	165 138	14 380	869 928

Provision for disposed loans is a recovery of provision for loans of RR 51 589 thousand, which were disposed under the cession agreement. The statement of comprehensive income reflects gains from disposals of loans of RR 3 835 thousand.

Loan security. As a rule the Bank requires collateral and/or guarantees for loans to corporate entities and federal state unitary enterprises. Acceptable collateral includes real estate, securities (within the Bank's risk limits for such securities), promissory notes of the Bank, transport and production equipment, inventory, certain contract rights and certain personal property. Guarantees can be provided by controlling shareholders (or other controlling persons), government entities, banks and other solvent legal entities (all within risk limits for such guarantees). A guarantor is evaluated on the same basis as the borrower itself. The Bank assesses the collateral value based on an internal expert valuation performed by the Bank's specialists, an independent appraiser's valuation or on the basis of discounted carrying amount of the collateral. In accordance with the Bank's policy, the value of collateral for loans to legal entities should cover the principal and interest on loan accrued for a period of at least three months. Borrowers must insure the collateral or make an additional payment to the Bank reflecting the increase in credit risk.

The Bank provided uncollateralised loans or partially collateralised loans to major borrowers or borrowers associated with the lowest level of risk. These loans were provided to the clients with stable financial position and good credit history with the Bank for the last three years.

The Bank usually requires collateral and/or guarantees for loans to individuals. Acceptable collateral includes real estate, personal property, government and the Bank's securities, motor vehicles and other liquid assets. The Bank accepts guarantees from its clients, both individuals and legal entities. According to the Bank's policy, the value of collateral or the amount of guarantee must cover the principal and interest on the loan for a period of at least a year. The Bank determines the value of collateral based on internal or independent valuation or its discounted carrying amount. Individual guarantors are evaluated on the same basis as the borrower itself.

10 Loans and Advances to Customers (Continued)

Collateral held by the Bank for past due loans, assessed for impairment on a collective basis, is similar to collateral received for other loans (see description above). Per the Bank's assessment the fair value of collateral received for past due loans, assessed for impairment on a collective basis, to individuals exceeds the carrying amount of such loans.

During 2012, the Bank had no reverse repurchase agreements and, accordingly, had no right to sell or repledge securities pledged (2011: the fair value of such securities was RR 1 445 267 thousand).

Fair value of collateral for past due individually impaired loans as at 31 December 2012 and 31 December 2011 was estimated by the Bank's Credit Department using its internal methodology.

Actual net realisable value of collateral may differ from the value disclosed in the financial statements due to potential difficulties during the foreclosure which cannot be predicted.

Information about collateral for loans and advances to customers at 31 December 2012 is as follows:

	Corporate loans	Loans to FGUP	Loans to individuals	Reverse sale and repurchase agreements	Total
<i>In thousands of Russian Roubles</i>					
Unsecured loans and advances to customers	2 848 814	-	20 719	-	2 869 533
Loans and advances to customers collateralised by:	7 567 897	-	197 446	-	7 765 343
- surety of legal entities and individuals	2 107 510	-	51 908	-	2 159 418
- non-residential real estate (including vessels)	2 629 863	-	8 731	-	2 638 594
- vehicles	1 160 720	-	4 770	-	1 165 490
- equipment	141 434	-	172	-	141 606
- goods in turnover	1 410 432	-	-	-	1 410 432
- promissory notes of the Bank	81 741	-	42 760	-	124 501
- residential real estate	36 197	-	89 105	-	125 302
Total loans and advances to customers	10 416 711	-	218 165	-	10 634 876

10 Loans and Advances to Customers (Continued)

Information about collateral for loans and advances to customers at 31 December 2011 is as follows:

	Corporate loans	Loans to FGUP	Loans to individuals	Reverse sale and repurchase agreements	Total
<i>In thousands of Russian Roubles</i>					
Unsecured loans and advances to customers	3 170 130	8 999	41 581	-	3 220 710
Loans and advances to customers collateralised by:	5 304 030	-	220 097	1 005 825	6 529 952
- surety of legal entities and individuals	967 875	-	61 529	-	1 029 404
- non-residential real estate (including vessels)	2 168 150	-	-	-	2 168 150
- securities	-	-	-	1 005 825	1 005 825
- vehicles	206 201	-	9 757	-	215 958
- contractual rights of claim	616 764	-	-	-	616 764
- goods in turnover	306 291	-	-	-	306 291
- promissory notes of the Bank	-	-	54 157	-	54 157
- premises and equipment	741 324	-	613	-	741 937
- residential real estate	73 617	-	94 041	-	167 658
- other assets	223 808	-	-	-	223 808
Total loans and advances to customers	8 474 160	8 999	261 678	1 005 825	9 750 662

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2012:

	Over-collateralised loans and advances to customers		Under-collateralised loans and advances to customers	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
<i>In thousands of Russian Roubles</i>				
Corporate loans	4 803 445	10 351 789	6 451 776	1 930 775
Loans to individuals	107 549	259 134	128 947	40 972
Loans to FGUP	-	-	166 101	-
Total	4 910 994	10 610 923	6 746 824	1 971 747

10 Loans and Advances to Customers (Continued)

The effect of collateral at 31 December 2011:

<i>In thousands of Russian Roubles</i>	Over-collateralised loans and advances to customers		Under-collateralised loans and advances to customers	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	3 264 723	7 618 261	5 899 847	1 367 165
Reverse sale and repurchase agreements	1 005 825	1 445 267	-	-
Loans to individuals	111 954	217 947	164 104	46 615
Loans to FGUP	-	-	174 137	-
Total	4 382 502	9 281 475	6 238 088	1 413 780

The fair value of collateral represented by residential and non-residential real estate at the end of the reporting period approximated its market value. The fair value of other collateral was determined by the Bank's Credit Department based on its internal methodology and considering location of the assets accepted as collateral.

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

<i>In thousands of Russian Roubles</i>	31 December 2012		31 December 2011	
	Amount	%	Amount	%
Trade	3 074 666	26.4	2 463 168	23.2
Cargo transport service	2 534 069	21.7	2 366 472	22.3
Reverse sale and repurchase agreements	-	-	1 005 825	9.5
Infrastructure construction	1 264 730	10.8	917 390	8.6
Manufacturing	1 019 452	8.7	874 007	8.2
Construction	795 976	6.8	668 129	6.3
Lease of non-residential property	593 765	5.1	825 081	7.8
Transport and communication	570 106	4.9	438 493	4.1
Shipbuilding	524 888	4.5	353 859	3.3
Individuals	236 496	2.0	276 058	2.6
Financial lease	98 814	0.9	133 429	1.3
Other	944 856	8.2	298 679	2.8
Total loans and advances to customers (before impairment)	11 657 818	100.0	10 620 590	100.0

As at 31 December 2012 the aggregate amount of loans issued to 10 largest borrowers was RR 3 380 727 thousand (2011: RR 3 091 725 thousand) or 29% of the gross loan portfolio (2011: 29.1%).

Refer to Note 31 for the estimated fair value of each class of loans and advances to customers.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 27. The information on related party balances is disclosed in Note 33.

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11 Investment Securities Available for Sale

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Russian government bonds	233 964	1 055 389
Corporate bonds	-	2 285 805
Total debt securities	233 964	3 341 194
Corporate shares	20 185	4 838
Total investment securities available for sale	254 149	3 346 032

As at 31 December 2012 Russian government bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. The bonds have maturity dates from March 2014 to April 2021 (2011: from July 2012 to April 2021), coupon rates from 7.1% to 7.6% (2010: from 3.63% to 12.0%) depending on the type of bond issue.

Corporate shares are shares of Russian companies.

Debt investment securities available for sale are not collateralised.

As at 31 December 2012 investment securities available for sale with the fair value of RR 210 862 thousand were pledged as collateral for transactions with other banks for the total amount of RR 155 367 thousand. As at 31 December 2011 investment securities available for sale with the fair value of RR 788 121 thousand were pledged as collateral for transactions with other banks for the total amount of RR 184 861 thousand.

For traded investments, fair value is determined by reference to the current market value at the close of business on 31 December 2012.

The primary factor that the Bank considers in determining whether a debt security is impaired is its overdue status or the existence of the facts of overdue payments under earlier issues of securities. During 2012, the Bank derecognised one of impaired corporate bonds and restructured debt for another corporate bond through an exchange for a non-resident's bond classified as financial assets held to maturity with 100% provision of RR 11 630 thousand.

During 2012, the Bank recognised reversed losses from impairment of investment securities available for sale of RR 3 872 thousand (2011: losses from impairment of investment securities available for sale of RR 259 thousand).

The movements in impaired investment securities available for sale are as follows:

<i>In thousands of Russian Roubles</i>	2012	2011
Carrying amount of impaired investment securities available for sale at 1 January	11 108	11 367
Revaluation of investment securities available for sale during the year	-	(259)
Disposal of investment securities available for sale under the exchange transaction	(11 108)	-
Carrying amount of impaired investment securities available for sale at 31 December	-	11 108

11 Investment Securities Available for Sale (Continued)

The Bank analyses investment securities available for sale based on Moody's ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or Standard and Poors reconciling them to rating categories through an adjustment table.

Analysis by credit quality of debt securities available for sale at 31 December 2012 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate bonds	Russian government bonds	Total
<i>Neither past due nor impaired</i>			
- Baa1 rated	-	233 964	233 964
Total neither past due nor impaired	-	233 964	233 964
<i>Corporate shares</i>			
- BBB rated	5 338	-	5 338
- Unrated	14 847	-	14 847
Total debt securities available for sale	20 185	233 964	254 149

Analysis by credit quality of debt securities available for sale at 31 December 2011 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate bonds	Russian government bonds	Total
<i>Neither past due nor impaired</i>			
- Baa1 rated	167 754	1 055 389	1 223 143
- Baa2 rated	117 192	-	117 192
- Ba1 rated	318 538	-	318 538
- Ba2 rated	106 695	-	106 695
- Ba3 rated	833 263	-	833 263
- B1 rated	141 225	-	141 225
- B2 rated	540 840	-	540 840
- B3 rated	49 190	-	49 190
Total neither past due nor impaired	2 274 697	1 055 389	3 330 086
<i>Individually impaired</i>			
- Unrated	11 108	-	11 108
Total debt securities available for sale	2 285 805	1 055 389	3 341 194
<i>Corporate shares</i>			
- Baa1 rated	4 827	-	4 827
- Unrated	11	-	11
Total investment securities available for sale	2 290 643	1 055 389	3 346 032

Refer to Note 31 for the fair value of investment securities available for sale.

Geographical, currency, interest rate and maturity analyses of investment securities available for sale are disclosed in Note 27.

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12 Premises, Equipment and Intangible Assets

	Note	Premises	Technical premises including power supply	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
<i>In thousands of Russian Roubles</i>								
Cost or valuation at 31 December 2010		57 000	-	38 468	599	96 067	41	96 108
Accumulated depreciation and amortisation		-	-	(17 251)	-	(17 251)	(28)	(17 279)
Carrying amount at 31 December 2010		57 000	-	21 217	599	78 816	13	78 829
Additions		-	-	3 636	496	4 132	-	4 132
Revaluation		2 600	-	-	-	2 600	-	2 600
Transfers between categories		-	-	599	(599)	-	-	-
Disposals		-	-	(228)	-	(228)	-	(228)
Depreciation and amortisation	25	(1 500)	-	(7 960)	-	(9 460)	(4)	(9 464)
Disposals - accumulated depreciation and amortisation		-	-	206	-	206	-	206
Carrying amount at 31 December 2011		58 100	-	17 470	496	76 066	9	76 075
Cost or valuation at 31 December 2011		58 100	-	42 475	496	101 071	41	101 112
Accumulated depreciation and amortisation		-	-	(25 005)	-	(25 005)	(32)	(25 037)
Carrying amount at 31 December 2011		58 100	-	17 470	496	76 066	9	76 075
Additions		509 474	29 905	18 139	173	557 691	-	557 691
Revaluation		13 933	-	-	-	13 933	-	13 933
Transfers between categories		-	-	496	(496)	-	-	-
Disposals		(58 100)	-	(7 818)	-	(65 918)	-	(65 918)
Depreciation and amortisation	25	(3 736)	(530)	(8 100)	-	(12 366)	(4)	(12 370)
Disposals - accumulated depreciation and amortisation		1 309	-	6 665	-	7 974	-	7 974
Carrying amount at 31 December 2012		520 980	29 375	26 852	173	577 380	5	577 385
Cost or valuation at 31 December 2012		520 980	29 905	53 292	173	604 350	41	604 391
Accumulated depreciation and amortisation		-	(530)	(26 440)	-	(26 970)	(36)	(27 006)
Carrying amount at 31 December 2012		520 980	29 375	26 852	173	577 380	5	577 385

12 Premises, Equipment and Intangible Assets (Continued)

Construction in progress is investments in acquisition of equipment. Upon putting into operation, these assets are transferred to the corresponding category of premises and equipment.

In October 2012, the Bank completed sale of the remaining part of the 377 sq. m. building for RR 76 279 thousand located at: Sushevskaya st. 19, bld. 7, Moscow (in 2010 the Bank sold a part of the 472.3 sq.m. building for RR 88 390 thousand). Consequently, the accumulated revaluation of RR 38 387 thousand was transferred to the Bank's equity. The sales revenue of RR 19 406 thousand is recognised within other operating income.

In 2011 the Bank signed a contract for purchase-sale of the building located at: Varshavskoye shosse, 1, bld. 1-2, Moscow. Under the contract, the Bank acquired the unfinished 2 936 sq. m building without utilities. During 2012, the Bank carried out all necessary repair work to enable the building to house all of its head office departments. In March 2012, the Bank received the certificate of state registration of title for the acquired premises. In November 2012, the Bank moved to the above address.

In December 2011, the Bank signed a contract to invest cash funds in construction of the Marine Business Center at the address: Teatralnaya st., 35, Kaliningrad, with subsequent registration of title, to house a branch of Maritime Bank (OAO) in Kaliningrad. During 2012, the Bank carried out all necessary repair work in the center and in December 2012 moved its branch to the above location.

Premises were revalued to market value at 31 December 2012. Revaluation is based on the report of independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. The basis used for the appraisal was fair value. Fair values were estimated using appropriate valuation techniques and market prices. Revaluation surplus on premises for 2012 was RR 13 933 thousand (2011: RR 2 600 thousand). Tax effect recorded directly in other comprehensive income is disclosed in Note 22.

At 31 December 2012, the carrying amount of premises would have been RR 507 047 thousand (2011: RR 31 719 thousand) had the assets been carried at cost less depreciation. Depreciation related to revalued premises for 2012 amounts to RR 2 427 thousand.

13 Other Assets

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Prepayment for goods and services	15 142	13 795
Receivables on other operations	3 647	4 347
Outstanding tax settlements (other than on income tax)	1 819	15 194
Receivables on commemorative coins	75	-
Prepayment for acquisition of premises	-	101 372
Less: Provision for impairment of other assets	(10 350)	(5 624)
Total other assets	10 333	129 084

13 Other Assets (Continued)

The Bank believes that receivables on state duties, fines, penalties and commission are doubtful and, consequently, booked the corresponding provision of RR 5 011 thousand in 2012.

Movements in the provision for impairment of other assets during 2012 and 2011 are as follows:

<i>In thousands of Russian Roubles</i>	2012	2011
Provision for impairment of other assets at 1 January	5 624	1 205
Movements in the provision for impairment of other assets during the year	5 011	4 419
Other assets written off during the year as uncollectible	(285)	
Provision for impairment of other assets at 31 December	10 350	5 624

14 Due to Other Banks

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Loans from other banks	1 997 706	1 847 154
Correspondent accounts and overnight placements of other banks	499 988	99 435
Total due to other banks	2 497 694	1 946 589

As at 31 December 2012 the Bank had loans from one counterparty bank (2011: one bank) with total balances above 10.0% of total due to other banks. The total aggregate amount of these loans was RR 821 052 thousand (2011: RR 1 020 514 thousand) or 32.9% of the total amount due from other banks (2011: 52.4%).

Refer to Note 31 for the disclosure of the fair value of each class of amounts due to other banks.

Geographical, currency, maturity and interest rate analyses of due from other banks and due to the Bank of Russia are disclosed in Note 27.

15 Customer Accounts

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
State and public organisations		
- Current/settlement accounts	-	3
Other legal entities		
- Current/settlement accounts	2 141 599	3 559 337
- Term deposits	5 231 819	4 918 468
Individuals		
- Current/demand accounts	152 451	129 231
- Term deposits	2 190 158	2 184 955
Total customer accounts	9 716 027	10 791 994

15 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Russian Roubles</i>	31 December 2012		31 December 2011	
	Amount	%	Amount	%
Services	5 682 921	58.5	6 927 055	64.2
Individuals	2 342 609	24.1	2 314 186	21.4
Manufacturing	836 582	8.6	473 678	4.4
Trade	463 248	4.8	437 500	4.1
Real estate	170 462	1.8	237 984	2.2
Finance	166 089	1.7	204 129	1.9
Fishing	41 648	0.4	188 621	1.7
Other	12 468	0.1	8 841	0.1
Total customer accounts	9 716 027	100.0	10 791 994	100.0

As at 31 December 2012 the total balance of one largest customer was RR 2 285 324 thousand (2011: RR 967 224 thousand), or 23.5% (2011: 9.0%) of total customer accounts.

As at 31 December 2012 the total balance of 10 largest customers was RR 5 539 646 thousand (2011: RR 4 591 822 thousand), or 57.0% (2011: 42.5%) of total customer accounts.

Refer to Note 31 for the disclosure of the fair value of each class of customer accounts.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 27.

16 Promissory Notes Issued

Promissory notes are discount promissory notes issued by the Bank. They are denominated in Russian Roubles, USD and Euro (2011: Russian roubles and USD) and have maturity dates from "on demand" to November 2025 (2011: from "on demand" to November 2025). Discount rates on promissory notes issued by the Bank vary from 0.5% to 12.0%p.a. (2011: from 0.5% to 12.0% p.a.).

As at 31 December 2012 loans and advances to customers are secured with the Bank's own promissory notes (Refer to Note 10).

Refer to Note 31 for the disclosure of the fair value of each class of promissory notes issued.

Geographical, currency, maturity and interest rate analyses of promissory notes issued are disclosed in Note 27.

17 Subordinated Debt

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Subordinated debt	677 212	506 856
Total subordinated debt	677 212	506 856

On 22 June 2012, the Bank attracted a subordinated loan from MB MARITIME INVESTMENT GROUP LIMITED (British Virgin Islands) of USD 4 000 thousand. As at 31 December 2012 this debt is carried at amortised cost of RR 121 490 thousand. The loan matures on 23 June 2017 and interest is paid on this subordinated debt on a quarterly basis at 6.4% p.a. Effective interest rate for this loan equals 6.6% p.a.

On 7 June 2012, the Bank attracted a subordinated loan from MB MARITIME INVESTMENT GROUP LIMITED of USD 3 400 thousand. As at 31 December 2012 this debt is carried at amortised cost of RR 103 266 thousand. The loan matures on 8 June 2017 and interest is paid on this subordinated debt on a quarterly basis at 6.4% p.a. Effective interest rate for this loan equals 6.6% p.a.

On 21 August 2009, the Bank attracted a subordinated loan from East-West United Bank S.A. (Luxemburg) of USD 5 000 thousand. As at 31 December 2012 this debt is carried at amortised cost of RR 151 855 thousand (2011: RR 160 968 thousand). The loan matures on 1 February 2019 and interest is paid on this subordinated debt on a quarterly basis at 12.0% p.a. Effective interest rate for this loan equals 12.6% p.a.

On 26 August 2008, the Bank attracted two subordinated loans from East-West United Bank S.A. of USD 2 000 thousand and EUR 2 000 thousand. At 31 December 2012 this debt is carried at amortised cost of RR 60 741 thousand (2011: RR 64 387 thousand) and RR 80 452 thousand (2011: RR 83 337 thousand), respectively. These loans mature on 1 July 2018 and interest is to be paid on these subordinated debts on a quarterly basis at 12.0% p.a. Effective interest rate for these loans equals 12.6% p.a.

On 13 November 2007, the Bank attracted a subordinated loan from OOO RTK (the Russian Federation) amounting to RR 70 000 thousand. On 30 April 2009 under an agreement of assignment of the right of claim this loan was transferred to private limited liability company Cuprite Enterprises Limited. On 15 June 2011 under an agreement of assignment of the right of claim this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED. As at 31 December 2012 this debt is carried at amortised cost of RR 70 000 thousand (2011: RR 70 000 thousand). Under a supplementary agreement to this agreement, on 1 November 2011 the maturity of this debt was set at 30 October 2021 and interest on this subordinated debt is to be paid on a monthly basis at 12.5% p.a. (2011: 12.5%). Effective interest rate for this debt equals 13.2% p.a.

17 Subordinated Debt (Continued)

On 9 July 2007, the Bank attracted a subordinated debt from OOO Transgarant Vostok (the Russian Federation) amounting to RR 60 000 thousand. On 15 May, 2012 this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED under an agreement of assignment of the right of claim. As at 31 December 2012 this debt is carried at amortised cost of RR 59 408 thousand (2011: RR 58 164 thousand). This loan matures on 9 July 2013 and interest is to be paid monthly based on the refinancing rate of the Bank of Russia (2011: based on the refinancing rate of the Bank of Russia). Effective interest rate for this debt equals 10.7% p.a.

On 18 December 2006, the Bank attracted a subordinated debt from OOO Firma Transgarant (the Russian Federation) amounting to RR 40 000 thousand. Interest on this subordinated debt was paid on a monthly basis at 11.0% p.a. On 18 December 2012, this debt was repaid. As at 31 December 2011 this debt is carried at amortised cost of RR 40 000 thousand.

On 29 June 2005, the Bank attracted a subordinated loan from OAO Sovbunker (the Russian Federation) amounting to RR 30 000 thousand. On 2 June 2008, under an agreement of assignment of the right of claim, this loan was assigned to OOO RTK and on 30 April 2009 was transferred to private limited liability company Cuprite Enterprises Limited (Cyprus). On 15 June 2011 this loan was transferred to MB MARITIME INVESTMENT GROUP LIMITED under an agreement of assignment of the right of claim. As at 31 December 2012 this debt is carried at amortised cost of RR 30 000 thousand (2011: RR 30 000 thousand). Under a supplementary agreement to this agreement, on 1 November 2011 the maturity of this debt was set at 1 June 2021 and interest on this subordinated debt is to be paid on a monthly basis at 12.5% p.a. (2011: 12.5%). Effective interest rate for this debt equals 13.2% p.a.

For fair value of subordinated debt refer to Note 31.

Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 27. The information on subordinated debt transactions with related parties is disclosed in Note 33.

18 Other Financial Liabilities

Other financial liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	Note	31 December 2012	31 December 2011
Deferred fees on bank guarantees	29	12 204	12 602
Settlements on currency forwards	30	4 473	29
Total other financial liabilities		16 677	12 631

Refer to Note 31 for the disclosure of the fair value of each class of other financial liabilities.

Geographical, currency, maturity and interest rate analyses of other financial liabilities are disclosed in Note 27.

19 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Accrued employee benefit costs	52 171	71 168
Settlements with suppliers	13 739	8 115
Taxes payable other than on income	4 264	2 928
Dividends payable	370	85
Deferred income	123	122
Other	2 268	3 673
Total other liabilities	72 935	86 091

20 Share Capital

<i>In thousands of Russian Roubles except for number of shares</i>	31 December 2012			31 December 2011		
	Number of outstanding shares	Nominal value	Inflation adjusted amount	Number of outstanding shares	Nominal value	Inflation adjusted amount
Ordinary shares	8 098 003	809 800	1 261 863	8 098 003	809 800	1 261 863
Total share capital	-	809 800	1 261 863	-	809 800	1 261 863

The total authorised number of ordinary shares is 8 098 thousand shares (2011: 8 098 thousand shares) with a par value of RR 100 per share (2011: RR 100 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Additional shares are being placed under a private offering and will not change the ownership structure of the Bank.

21 Retained Earnings

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's retained earnings recognised in the financial statements under Russian Accounting Rules at 31 December 2012 are RR 674 496 thousand (2011: RR 668 572 thousand).

22 Other Comprehensive Income Recognised in Equity

An analysis of other comprehensive income by item for each component of equity is as follows:

	Revaluation reserve for available-for-sale securities	Revaluation reserve for premises	Total
Year ended 31 December 2011			
Losses less gains from revaluation of investment securities available for sale at fair value for the year	(63 624)	-	(63 624)
Disposal of investment securities available for sale	105 842	-	105 842
Revaluation of premises	-	2 600	2 600
Income tax recorded directly in other comprehensive income	(8 443)	(520)	(8 963)
Total other comprehensive income	33 775	2 080	35 855
Year ended 31 December 2012			
Gains less losses from revaluation of investment securities available for sale at fair value for the year	7 825	-	7 825
Disposal of investment securities available for sale	70 420	-	70 420
Revaluation of premises	-	13 933	13 933
Income tax recorded directly in other comprehensive income	(15 649)	(2 787)	(18 436)
Total other comprehensive income	62 596	11 146	73 742

23 Interest Income and Expense

In thousands of Russian Roubles

	2012	2011
Interest income		
Loans and advances to customers	1 232 092	1 079 656
Debt investment securities available for sale	187 587	296 867
Due from other banks	27 702	18 007
Correspondent accounts and overnight placements with other banks	8 367	293
Trading securities	1 678	-
Total interest income	1 457 426	1 394 823
Interest expense		
Term deposits of legal entities	185 126	141 071
Term deposits of individuals	151 686	145 118
Term placements of other banks	145 039	108 263
Promissory notes issued	66 055	39 894
Subordinated debt	65 449	52 616
Current/settlement accounts	46 308	40 837
Due to the Bank of Russia	18 621	3 883
Correspondent accounts and overnight placements of other banks	4 424	2 371
Other borrowed funds	1 274	17 013
Total interest expense	683 982	551 066
Net interest income	773 444	843 757

Interest income on impaired financial assets is RR 4 526 thousand (2011: RR 6 087 thousand) and is recorded within loans and advances to customers. Refer to Note 10.

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24 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	2012	2011
Fee and commission income		
Guarantees issued	102 172	85 649
Currency control	39 012	29 383
Settlement transactions	37 836	30 585
Cash transactions	16 981	16 409
Other	3 709	3 721
Total fee and commission income	199 710	165 747
Fee and commission expense		
Settlement transactions	6 770	5 980
Plastic cards	3 774	5 611
Transactions with securities	1 075	1 351
Services of depository	905	1 203
Bank note deals	782	321
Letters of credit	-	675
Other	6 932	741
Total fee and commission expense	20 238	15 882
Net fee and commission income	179 472	149 865

25 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Note	2012	2011
Staff costs		332 379	347 577
Operating lease expense		33 664	41 739
Other costs of premises and equipment		32 467	19 525
Other		16 234	15 818
Taxes other than on income		15 014	14 229
Insurance		12 973	10 910
Depreciation of premises and equipment and amortisation of intangible assets	12	12 370	9 464
Professional services		11 197	9 531
Communication, telecommunication and information system services		8 981	8 601
Security services		8 934	9 499
Software maintenance expenses		5 324	4 528
Membership fees		1 792	3 974
Business trips		1 505	1 512
Advertising and marketing services		704	2 980
Charity expenses		100	100
Penalties, interest and forfeit		90	39
Total administrative and other operating expenses		493 728	500 026

Included in staff costs are social contributions of RR 53 846 thousand (2011: RR 48 955 thousand), of which RR 45 776 thousand (2011: RR 31 421 thousand) are statutory pension contributions.

26 Income Taxes

Income tax expense comprises the following:

<i>In thousands of Russian Roubles</i>	2012	2011
Current income tax expense	99 513	87 573
(Recovery of)/deferred income tax expenses charged to profit and loss	(11 870)	8 078
Income tax expense for the year	87 643	95 651

The income tax rate applicable to the majority of the Bank's 2012 income is 20.0% (2011: 20.0%). A reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Russian Roubles</i>	2012	2011
Profit before tax	334 447	454 099
Theoretical tax charge at statutory rate (2012: 20.0%; 2011: 20.0%)	66 889	90 820
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	24 202	7 634
- Income on government securities taxed at different rates	(3 448)	(2 803)
Income tax expense for the year	87 643	95 651

26 Income Taxes (Continued)

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20.0% (2011: 20.0%).

<i>In thousands of Russian Roubles</i>	31 December 2011	Credited/ (charged) to profit or loss	Credited/(charged) directly to equity	31 December 2012
Tax effect of deductible/(taxable) temporary differences				
Due from other banks	-	6	-	6
Trading securities	-	1 079	-	1 079
Loans and advances to customers	(12 797)	9 556	-	(3 241)
Investment securities available for sale	6 195	9 499	(15 649)	45
Premises and equipment	(9 430)	(4 142)	(2 787)	(16 359)
Subordinated debt	(372)	250	-	(122)
Promissory notes issued	(335)	63	-	(272)
Other liabilities	15 017	(4 088)	-	10 929
Other	7 519	(352)	-	7 166
Net deferred tax assets/ (liabilities)	5 797	11 870	(18 436)	(769)

<i>In thousands of Russian Roubles</i>	31 декабря 2010 года	Credited/ (charged) to profit or loss	Credited/(charged) directly to equity	31 December 2011
Tax effect of deductible/(taxable) temporary differences				
Loans and advances to customers	3 775	(16 572)	-	(12 797)
Investment securities available for sale	21 660	(7 022)	(8 443)	6 195
Premises and equipment	(4 246)	(4 664)	(520)	(9 430)
Subordinated debt	(1 851)	1 479	-	(372)
Promissory notes issued	212	(547)	-	(335)
Other liabilities	(24)	15 041	-	15 017
Other	3 312	4 207	-	7 519
Net deferred tax assets/ (liabilities)	22 838	(8 078)	(8 963)	5 797

27 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Assessment of assumed risk is also a basis for optimal allocation of risk-weighted capital, pricing of transactions and performance measurement. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The Bank's Management Board under authority delegated by the Shareholders Meeting sets the Bank's general risk policy as well as specific policies for managing each type of major risk. Proposals on setting limits for consideration of the Management Board are prepared by a risk-controlling department. The risk-controlling department operates separately from business departments involved in operations creating exposure.

27 Financial Risk Management (Continued)

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank's maximum exposure to credit risk is usually reflected in the carrying amounts of financial assets on the Statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 29.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, as well as an ad hoc review.

Loan applications originated by the relevant client relationship managers are passed on to the Credit Department for approval of credit limit and subsequently are submitted for consideration to the Credit Committee. The Credit Committee holds meetings on a weekly basis. The Credit Committee in the Head Office in Moscow also reviews loan applications from all branches. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. The Bank usually requires collateral and/or guarantees for loans. Acceptable collateral includes real estate, securities, transportation and production equipment, inventory, precious metals, contract rights and personal property. The Bank accepts guarantees from controlling shareholders (or other controlling persons) of small businesses, government entities, banks, other solvent legal entities, individuals (for loans to individuals). In order to limit credit risk, several types of collateral may be used simultaneously.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual compliance with limits with regard to accepted risk is monitored on a permanent basis.

In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposures to customers with deteriorating creditworthiness are reported to, and reviewed by, the Board of Directors. Management monitors and follows up past due balances.

The Credit Department of the Bank analyses loans by their maturities and carries out subsequent control of overdue balances. Management of the Department considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 10.

Exposure Limits. To manage its credit risk, the Bank places its counterparties into risk groups, which reflect the possibility of default on their obligations. Counterparties placed into particular risk groups are assigned exposure limits. The Bank has developed credit risk limit calculation and monitoring procedures for the following categories of borrowers: corporate customers, resident banks and non-resident banks. Exposure limits are also set for single and related borrowers and banking operations subject to credit risk.

Exposure limits for corporate clients are set on the basis of their ownership structure, business reputation, credit history, financial condition, future financial trends, quality of financial management, transparency, industry and regional position and facilities and modern equipment quality. Exposure limits for counterparty banks are set on the basis of their financial condition, position among comparable banks, transparency of asset and liability structure and operations, operating environment (for non-resident counterparty banks), capital structure, concentration of banking operations, credit history, business reputation and relationship with the Bank. Branch and/or banking group structure is also taken into account in setting exposure limits for a particular counterparty bank.

27 Financial Risk Management (Continued)

The amount of a loan granted to an individual is limited by his/her creditworthiness, which is calculated individually for each client by using reducing ratios to the amount of his/her income and by taking into account the amount of his/her previous loans received and guarantees given. Also the amount of a loan depends on collateral provided by the client.

Risk Concentration. In order to reduce and diversify its credit risk, the Bank monitors its credit risk concentration, sets exposure limits for single borrowers and groups of related borrowers that are lower than those set by the standards of the Bank of Russia and sets limits for loans and bank guarantees made to related parties of the Bank. Concentration and exposure limits for large credit operations and related borrowers and high-risk credit operations are approved at the Bank's Central Head Office level.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies for credit related commitments as it does for balance sheet financial instruments, including approvals of transaction, risk mitigating limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks arising from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific market movements. The Assets and Liabilities Management Committee set limits on the level of exposure. Treasury and the Market Risk Function monitor them on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The main goal of market risk management is to optimise risk/return ratio, minimise loss given unfavourable developments and to reduce the deviation of actual financial result from the expected result.

The Bank categorises market risk into:

- interest rate risk
- equity risk
- currency risk

The Bank manages its market risks through controlling open positions in bonds, stock, currencies and derivatives. For this purpose the Bank sets open position, stop-loss and other limits. Market risk limits are updated at least once a year and controlled constantly. The Bank develops a market risk management methodology and sets limits for specific operations.

Currency risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of exchange rates on its financial position and cash flows. The Assets and Liabilities Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. Treasury and the Risk Management and Planning Department monitor them on a daily basis.

The Bank issued loans in foreign currency. Depending on cash flows received by the borrower, changes in foreign exchange rates may affect the borrowers' repayment ability and incurrence of loan losses.

Treasury undertakes daily aggregation of the open currency position of the Bank and takes measures for maintaining of the Bank's open currency position on a minimum level. The Bank uses swaps, forwards and USD futures contracts tradable on MICEX as the main instruments for hedging currency risks.

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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27 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2012 and 31 December 2011:

<i>In thousands of Russian Roubles</i>	At 31 December 2012				At 31 December 2011			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Russian Roubles	12 098 295	8 064 606	(2 776 958)	1 256 731	11 471 867	9 961 470	120 706	1 631 103
US Dollars	2 480 043	4 934 730	2 539 019	84 332	3 733 877	3 667 042	(120 735)	(53 900)
Euros	224 998	545 723	320 622	(103)	439 086	441 106	-	(2 020)
Other	89 003		(87 156)	1 847	10 692	9 927	-	765
Total	14 892 339	13 545 059	(4 473)	1 342 807	15 655 522	14 079 545	(29)	1 575 948

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the reporting date, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 30. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

The following table presents sensitivity analysis of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant.

<i>In thousands of Russian Roubles</i>	At 31 December 2012	At 31 December 2011
	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 18% (2011: strengthening by 20%)	15 180	(10 780)
US Dollar weakening by 18% (2011: weakening by 20%)	(15 180)	10 780
Euro strengthening by 10% (2011: strengthening by 11%)	10	(222)
Euro weakening by 10% (2011: weakening by 11%)	10	222

The Bank issued loans and advances to customers in foreign currency. Movements in foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss. To reduce the currency risk the Bank has taken a decision on possible conversion of currency loans to individuals into Russian Roubles at their request.

27 Financial Risk Management (Continued)

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2012					
Total financial assets	5 256 293	3 142 011	4 229 381	2 264 654	14 892 339
Total financial liabilities	4 530 459	4 864 628	1 870 711	2 283 734	13 549 532
Net interest sensitivity gap at 31 December 2012	725 834	(1 722 617)	2 358 670	(19 080)	1 342 807
Cumulative net interest sensitivity gap at 31 December 2012	725 834	(996 783)	1 361 887	1 342 807	
31 December 2011					
Total financial assets	6 657 368	3 743 609	1 738 478	3 516 067	15 655 522
Total financial liabilities	6 706 070	1 459 137	2 407 410	3 506 957	14 079 574
Net interest sensitivity gap at 31 December 2011	(48 702)	2 284 472	(668 932)	9 110	1 575 948
Cumulative net interest sensitivity gap at 31 December 2011	(48 702)	2 235 770	1 566 838	1 575 948	

The assets and liabilities of the Bank are mostly presented by the instruments with the fixed interest rate. The table below shows analysis of the Bank's exposure to interest rate risk as at the reporting date in case of interest rate fluctuation.

<i>In thousands of Russian Roubles</i>	At 31 December 2012			At 31 December 2011		
	Net interest sensitivity gap	Possible movement in the interest rate	Possible change of net interest income	Net interest sensitivity gap	Possible movement in the interest rate	Possible change of net interest income
Demand and less than 1 month	725 834	2%	13 307	(48 702)	2%	(893)
From 1 to 6 months	(996 783)	2%	(14 952)	2 235 770	2%	33 537
From 6 to 12 months	1 361 887	2%	6 809	1 566 838	2%	7 834
Total	1 090 938	2%	5 164	3 753 906	2%	40 478

27 Financial Risk Management (Continued)

Risk management comprises minimising net gap established in analysis of assets and liabilities sensitive to interest rate changes. Depending upon the amount of net gap the Bank's Treasury takes decision to issue or attract resources at certain rate for a certain period in order to minimise potential losses as a result of movements in market interest rate.

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel of the Bank:

% p.a.	2012				2011			
	RR	USD	EUR	Other	RR	USD	EUR	Other
ASSETS								
Correspondent accounts and overnight placements with other banks	0.0%	5.0%	0%	-	0.0%	0.0%	0.0%	-
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	-	-	-	-	-	-	-	-
Repurchase receivables	-	-	-	-	5.0%	4.0%	-	-
Mandatory cash balances with the Bank of Russia	-	-	-	-	-	-	-	-
Due from other banks	6.0%	0%	-	-	4.0%	1.0%	1.0%	-
Loans and advances to customers	12.0%	10.0%	11.0%	11.0%	13.0%	12.0%	10.0%	-
Debt investment securities available for sale	9.0%	7.0%	-	-	9.0%	8.0%	-	-
Liabilities								
Due to the Bank of Russia	6%	-	-	-	-	-	-	-
Due to other banks	6.0%	8.0%	-	-	5.0%	7.0%	7.0%	-
Customer accounts								
- current/settlement accounts of legal entities	1.0%	-	-	-	3.0%	1.0%	0.0%	-
- current/settlement accounts of individuals	2.0%	1.0%	2.0%	-	2.0%	2.0%	2.0%	-
- term deposits of legal entities	7.0%	4.0%	4.0%	-	6.0%	1.0%	3.0%	-
- term deposits of individuals	10.0%	6.0%	7.0%	-	10.0%	6.0%	6.0%	-
Promissory notes issued	9.0%	8.0%	4.0%	-	9.0%	6.0%	-	-
Subordinated debt	13.0%	9.0%	12.0%	-	11.0%	12.0%	12.0%	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

Other price risk. The Bank has limited exposure to equity price risk. The Assets and Liability Management Committee monitors and authorises equity transactions. In 2012 and 2011 the Bank practically did not perform equity transactions. At 31 December 2012, if equity prices at that date had been 5% (2011: 5.0%) lower with all other variables held constant, equity would have been RR 266 thousand (2011: RR 242 thousand) lower.

27 Financial Risk Management (Continued)

The Bank is exposed to prepayment risk through providing fixed rate loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current year profit (loss) and equity at the current reporting date are not significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans to customers (2011: no material impact).

Geographical risk concentrations.

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2012 is set out below:

<i>In thousands of Russian Roubles</i>	Moscow	Saint-Petersburg	Kaliningrad	Novoros-syisk	Vladivos-tok	Total
Financial assets						
Cash and cash equivalents	1 945 557	50 614	11 904	25 003	40 635	2 073 713
Mandatory cash balances with the Bank of Russia	170 770	-	-	-	-	170 770
Due from other banks	166 442	-	-	-	-	166 442
Trading securities	1 590 208	-	-	-	-	1 590 208
Loans and advances to customers	7 020 308	1 802 240	537 132	696 977	578 219	10 634 876
Investment securities available for sale	254 149	-	-	-	-	254 149
Other financial assets	2 181	-	-	-	-	2 181
Total financial assets	11 149 615	1 852 854	549 036	721 980	618 854	14 892 339
Financial liabilities						
Due to the Bank of Russia	124 778	-	-	-	-	124 778
Due to other banks	2 497 694	-	-	-	-	2 497 694
Customer accounts	6 344 872	1 557 887	742 331	519 482	551 455	9 716 027
Debt securities in issue	475 206	2 617	-	20 716	18 605	517 144
Subordinated debt	677 212	-	-	-	-	677 212
Other financial liabilities	16 677	-	-	-	-	16 677
Total financial liabilities	10 136 439	1 560 504	742 331	540 198	570 060	13 549 532
Net position in on-balance sheet financial instruments	1 013 176	292 350	(193 295)	181 782	48 794	1 342 807
Credit related commitments	4 393 482	171 968	79 415	30 366	97 077	4 772 308

Assets, liabilities and credit related commitments have been based on the Bank's branch location.

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27 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2011 is set out below:

<i>In thousands of Russian Roubles</i>	Moscow	Saint-Petersburg	Kaliningrad	Novoros-syisk	Vladivostok	Total
Financial assets						
Cash and cash equivalents	2 255 451	57 391	25 276	50 904	27 283	2 416 305
Mandatory cash balances with the Bank of Russia	139 306	-	-	-	-	139 306
Due from other banks	2 222	-	-	-	-	2 222
Loans and advances to customers	6 838 008	1 297 205	502 709	625 124	487 616	9 750 662
Investment securities available for sale	3 346 032	-	-	-	-	3 346 032
Other financial assets	995	-	-	-	-	995
Total financial assets	12 582 014	1 354 596	527 985	676 028	514 899	15 655 522
Financial liabilities						
Due to other banks	1 946 589	-	-	-	-	1 946 589
Customer accounts	6 007 840	1 764 877	412 794	619 218	1 987 265	10 791 994
Debt securities in issue	631 489	-	-	190 015	-	821 504
Subordinated debt	506 856	-	-	-	-	506 856
Other financial liabilities	12 631	-	-	-	-	12 631
Total financial liabilities	9 105 405	1 764 877	412 794	809 233	1 987 265	14 079 574
Net position in on-balance sheet financial instruments	3 476 609	(410 281)	115 191	(133 205)	(1 472 366)	1 575 948
Credit related commitments	3 827 097	101 736	25 449	31 530	78 498	4 064 310

Liquidity risk. Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

27 Financial Risk Management (Continued)

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and securities. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Bank's liquidity management requires analysis of the level of liquid assets necessary to settle liabilities when due; access to various funding sources; availability of plans in case of funding problems and control over compliance of the balance sheet liquidity ratios with the statutory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 65.5% at 31 December 2012 (2011: 53.6%);
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 83.8% at 31 December 2012 (2011: 78.0%);
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 60.1 at 31 December 2012 (2011: 70.4).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Securities Department provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury.

The table below shows liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the balance sheet amount is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

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27 Financial Risk Management (Continued)

The maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2012 is as follows:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Due to the Bank of Russia	124 778	-	-	-	-	124 778
Due to other banks	1 547 733	49 532	51 093	1 059 778	-	2 708 136
Customer accounts – legal entities	2 615 727	4 314 211	429 524	123 467	-	7 482 929
Customer accounts – individuals	253 201	576 074	1 136 819	523 276	-	2 489 370
Debt securities in issue	1 833	78 488	225 216	164 902	152 778	623 217
Other financial liabilities	10 509	5 177	259	732	-	16 677
Gross loan commitments	1 709 965	-	-	-	-	1 709 965
Financial guarantees	113 433	996 467	1 036 690	829 113	86 640	3 062 343
Subordinated debt	1 668	32 779	90 813	462 794	471 091	1 059 145
Total potential future payments for financial obligations	6 378 847	6 052 728	2 970 414	3 164 062	710 509	19 276 560

The maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2011 is as follows:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Due to other banks	767 068	30 825	345 687	1 065 545	-	2 209 125
Customer accounts – legal entities	5 659 623	699 540	1 051 986	1 094 670	-	8 505 819
Customer accounts – individuals	228 311	467 647	999 421	773 927	-	2 469 306
Debt securities in issue	61 758	409 721	154 320	188 809	84 633	899 241
Other financial liabilities	6 318	6 269	44	-	-	12 631
Gross loan commitments	1 012 678	-	-	-	-	1 012 678
Financial guarantees	330 571	880 420	666 063	1 174 578	-	3 051 632
Subordinated debt	1 784	27 187	28 971	297 962	534 517	890 421
Total potential future payments for financial obligations	8 068 111	2 521 609	3 246 492	4 595 491	619 150	19 050 853

27 Financial Risk Management (Continued)

Payments in respect of gross settled forwards will be accompanied by related cash inflows which are disclosed at their present values in Note 30. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected and contractual maturities. Remaining expected and contractual maturity may be summarised as follows at 31 December 2012:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Assets					
Cash and cash equivalents	2 073 713	-	-	-	2 073 713
Mandatory cash balances with the Bank of Russia	170 770	-	-	-	170 770
Trading securities	1 590 208	-	-	-	1 590 208
Due from other banks	4 223	162 219	-	-	166 442
Loans and advances to customers	1 175 895	2 979 792	4 229 381	2 249 808	10 634 876
Investment securities available for sale	239 303	-	-	14 846	254 149
Other financial assets	2 181	-	-	-	2 181
Total	5 256 293	3 142 011	4 229 381	2 264 654	14 892 339
Liabilities					
Due to the Bank of Russia	124 778	-	-	-	124 778
Due to other banks	1 561 386	25 077	97 157	814 074	2 497 694
Customer accounts	2 831 958	4 759 625	1 502 546	621 898	9 716 027
Debt securities in issue	1 828	74 749	210 749	229 818	517 144
Subordinated debt	-	-	60 000	617 212	677 212
Other financial liabilities	10 509	5 177	259	732	16 677
Total potential future payments for financial obligations	4 530 459	4 864 628	1 870 711	2 283 734	13 549 532
Liquidity gap arising from financial instruments	725 834	(1 722 617)	2 358 670	(19 080)	1 342 807
Cumulative liquidity gap as at 31 December 2012	725 834	(996 783)	1 361 887	1 342 807	-

The portfolio of available-for-sale investment securities is classified by contractual maturity except for the instruments included in the Lombard List of the Bank of Russia and Eurobonds of issuers whose liabilities are included in the Lombard List of the Bank of Russia. The securities included in the above list are recognised not only as high market liquidity instruments but also as the instruments providing immediate access to the monetary funds of the Bank of Russia via lombard credit transactions or REPO transactions. Securities available for sale included in the Lombard List of the Bank of Russia and the above Eurobonds as at 31 December 2012 and 31 December 2011 are recorded within the column "Demand and less than one month" in these financial statements.

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27 Financial Risk Management (Continued)

The analysis by expected and remaining contractual maturities may be summarised as follows at 31 December 2011:

<i>In thousands of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Assets					
Cash and cash equivalents	2 416 305	-	-	-	2 416 305
Mandatory cash balances with the Bank of Russia	139 306	-	-	-	139 306
Due from other banks	2 222	-	-	-	2 222
Loans and advances to customers	918 046	3 743 609	1 572 951	3 516 056	9 750 662
Investment securities available for sale	3 180 494	-	165 527	11	3 346 032
Other financial assets	995	-	-	-	995
Total	6 657 368	3 743 609	1 738 478	3 516 067	15 655 522
Liabilities					
Due to other banks	741 016	-	298 521	907 052	1 946 589
Customer accounts	5 904 248	1 056 661	1 918 995	1 912 090	10 791 994
Debt securities in issue	60 777	396 187	143 625	220 915	821 504
Other financial liabilities	29	6 289	6 269	44	12 631
Subordinated debt	-	-	40 000	466 856	506 856
Total potential future payments for financial obligations	6 706 070	1 459 137	2 407 410	3 506 957	14 079 574
Liquidity gap arising from financial instruments	(48 702)	2 284 472	(668 932)	9 110	1 575 948
Cumulative liquidity gap as at 31 December 2011	(48 702)	2 235 770	1 566 838	1 575 948	-

The Bank classifies customer accounts based on their contractual maturity. Expected maturities for the customer accounts usually exceed the contractual maturities. The portfolio of investment securities available for sale also includes liquid securities, which could be converted into cash in a short time period.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

27 Financial Risk Management (Continued)

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

28 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Russia, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. The amount of capital that the Bank managed as of 31 December 2012 was RR 2 173 201 thousand (2011: RR 1 979 151 thousand). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Management Board and Chief Accountant in order to present them to the Bank of Russia.

Under the current capital requirements set by the Bank of Russia banks have to maintain the ratio of regulatory capital to risk weighted assets N1 ("statutory capital ratio") above the prescribed minimum level.

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

<i>In thousands of Russian Roubles</i>	2012	2011
Net assets under Russian GAAP	1 480 883	1 481 976
Less intangible assets	(5)	(9)
Plus subordinated debt	604 348	437 716
Revaluation of premises and equipment	87 975	59 468
Total regulatory capital	2 173 201	1 979 151

The subordinated debt amount used in calculation of the regulatory capital differs from the subordinated debt amount disclosed in Note 17 due to different approaches to the debt assessment at the end of the reporting year in accordance with Russian legislation and IFRS.

28 Management of Capital (Continued)

The level of capital adequacy ratio as at 31 December 2012 and 31 December 2011 is presented in the table below:

<i>In thousands of Russian Roubles</i>	2012	2011
Capital adequacy ratio (N1)	12.6%	12.3%
Acceptable ratio (N1)	Not less than 10.0%	Not less than 10.0%

Also, in accordance with existing requirements to capital set by the Bank of Russia the Bank cannot exceed the maximum exposure per one borrower or a group of related borrowers (N6), which is set as a percentage of the Bank's capital. The level of capital adequacy ratio as at 31 December 2012 and 31 December 2011 is presented in the table below:

	2012	2011
Maximum risk per one borrower or a group of related borrowers (N6)	21.2%	21.1%
Acceptable ratio (N6)	Not more than 25.0%	Not more than 25.0%

29 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 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 these financial statements.

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. 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 incompliant 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.

Amendments to the Tax Code related to transfer pricing became effective as of 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 (OECD). The new legislation provides the possibility for tax authorities to 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 arm's length. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

29 Contingencies and Commitments (Continued)

Russian transfer pricing legislation applicable to transactions performed before 31 December 2011 or earlier provides the possibility for tax authorities to impose additional taxes in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs 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.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. 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 entity.

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.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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>	31 December 2012	31 December 2011
Undrawn credit lines	1 709 965	1 012 678
Guarantees issued	3 062 343	3 051 632
Total credit related commitments	4 772 308	4 064 310

29 Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Credit related commitments are denominated in currencies as follows:

<i>In thousands of Russian Roubles</i>	31 December 2012	31 December 2011
Russian Roubles	4 546 275	3 800 235
US Dollars	199 352	240 322
Euros	26 681	23 753
Total credit related commitments	4 772 308	4 064 310

As at 31 December 2012 the banking guarantees of RR 285 515 thousand (2011: RR 246 635 thousand) are secured with the Bank's own promissory notes with pledged value of RR 129 810 thousand (2011: RR 229 798 thousand). For the year ended 31 December 2012 the Bank received fee and commission income on these guarantees of RR 3 452 thousand (2011: RR 1 108 thousand) and incurred interest expenses on own promissory notes issued of RR 4 314 thousand (2011: RR 5 248 thousand).

Assets pledged and restricted

The Bank had assets pledged as collateral with the following carrying value:

<i>In thousands of Russian Roubles</i>	Note	31 December 2012		31 December 2011	
		Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale	10, 14	210 862	155 367	788 121	184 861
Promissory notes of banks		152 067	-	-	-
Total		362 929	155 367	788 121	184 861

At 31 December 2012 investment securities available for sale of RR 210 862 thousand (2011: RR 788 121 thousand) and promissory notes of other banks of RR 152 067 thousand (2011: nil) are pledged under loan agreements with other banks.

Restricted assets of the Bank include mandatory cash balances with the Bank of Russia of RR 170 770 thousand (2011: RR 139 306 thousand) and represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

30 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Bank are generally traded in the stock market and an over-the-counter market. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards contracts and swaps entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions and payments and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

<i>In thousands of Russian Roubles</i>	31 December 2012		31 December 2011	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards: fair values, at the end of the reporting period, of				
- USD receivable on settlement	2 040 148	1 685 685	-	-
- Euros receivable on settlement	6 034	599 406	-	-
- RR payable on settlement	(1 956 501)	(2 290 891)	-	-
- RR receivable on settlement	516 528	953 905	-	120 706
- USD payable on settlement	(233 870)	(952 943)	-	(120 735)
- Euros payable on settlement	(281 600)	(3 218)	-	-
- GBP payable on settlement	(87 156)	-	-	-
Net fair value of foreign exchange forwards	-	(4 473)	-	(29)

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31 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>	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	2 073 713	2 073 713	2 416 305	2 416 305
Cash on hand	164 042	164 042	146 868	146 868
Cash balances with the Bank of Russia	1 205 789	1 205 789	1 412 246	1 412 246
Correspondent accounts and overnight placements	562 789	562 789	836 344	836 344
Settlements with currency and stock exchanges	141 093	141 093	20 847	20 847
Mandatory cash balances with the Bank of Russia	170 770	170 770	139 306	139 306
Due from other banks	166 442	167 982	2 222	2 222
Short-term placements with other banks	-	-	-	-
Promissory notes of credit institutions	160 597	162 137	-	-
Current accounts	5 845	5 845	2 222	2 222
Loans and advances to customers	10 634 876	10 418 577	9 750 662	9 678 813
Corporate loans	10 416 711	10 206 847	8 474 160	8 451 463
Loans to state and municipal organisations (FGUP)	-	-	8 999	-
Reverse sale and repurchase agreements	-	-	1 005 825	998 812
Loans to individuals	218 165	211 730	261 678	228 538
Other financial assets	2 181	2 181	995	995
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	13 047 982	12 833 223	12 309 490	12 237 641

<i>In thousands of Russian Roubles</i>	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL LIABILITIES				
Due to the Bank of Russia	124 778	124 778	-	-
Due to other banks	2 497 694	2 431 675	1 946 589	1 949 237
Loans from other banks	1 997 706	1 931 687	1 847 154	1 849 802
Correspondent accounts and overnight placements of other banks	499 988	499 988	99 435	99 435
Customer accounts	9 716 027	10 010 048	10 791 994	11 064 608
State and public organisations	-	-	-	-
- Current/settlement accounts of state and public organisations	-	-	3	3
- Term deposits of state and public organisations	-	-	-	-
Legal entities	-	-	-	-
- Current/settlement accounts of other legal entities	2 141 599	2 141 599	3 559 337	3 559 337
- Term deposits of other legal entities	5 231 819	5 368 581	4 918 468	5 030 546
Individuals	-	-	-	-
- Current/demand accounts of individuals	152 451	152 451	129 231	129 231
- Term deposits of individuals	2 190 158	2 347 417	2 184 955	2 345 491
Promissory notes issued	517 144	513 264	821 504	818 827
Other financial liabilities	16 677	16 677	12 631	12 631
Subordinated debt	677 212	856 236	506 856	635 792
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	13 549 532	13 952 678	14 079 574	14 481 095

31 Fair Value of Financial Instruments (Continued)

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

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

In accordance with the IFRS fair value hierarchy all Bank's financial assets and financial liabilities at 31 December 2012 and 31 December 2011 belong to Level 1 since quoted prices in an active market are used for their measurement.

(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 uses valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty. These rates are analysed below:

	31 December 2012	31 December 2011
Due from other banks		
Short-term placements with other banks with original maturities of more than three months	-	-
Discounted promissory notes of credit institutions	-	-
Loans and advances to customers		
Large borrowers	6.0% - 16.0% p.a.	9.0% - 17.5% p.a.
Loans to medium size entities	8.0%-17.5% p.a.	8.4% - 20.0% p.a.
Loans to small business	8.0%-22.0% p.a.	8.3% - 22.0% p.a.
Loans to individuals	5.5% - 20.0% p.a.	5.3% - 23.0% p.a.
Due to other banks		
Loans from other banks	0.2% - 10.0% p.a.	3.8% - 12.5% p.a.
Customer accounts		
Term deposits of state and public organisations	-	-
Term deposits of other legal entities	0.3% - 11.0% p.a.	0.6% - 9.0% p.a.
Term deposits of individuals	0.1%-12.5% p.a.	2.8% - 15.5% p.a.
Debt securities in issue		
Promissory notes	0.4%-11.2% p.a.	0.5% - 12.0% p.a.
Subordinated debt		
Subordinated debt	6.4% - 13.0% p.a.	8.0% - 12.5% p.a.

32 Presentation of Financial Instruments by Measurement Category

Under IAS 39, Financial Instruments: Recognition and Measurement, the Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; and (c) financial assets at fair value through profit and loss account. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2012:

<i>In thousands of Russian Roubles</i>	Loans and receivables	Available-for-sale assets	Assets at fair value through profit or loss	Total
FINANCIAL ASSETS	2 073 713	-	-	2 073 713
Cash and cash equivalents				
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	1 205 789	-	-	1 205 789
- Correspondent accounts and overnight placements with other banks	562 789	-	-	562 789
- Cash on hand	164 042	-	-	164 042
- Settlements with currency and stock exchanges	141 093	-	-	141 093
Mandatory cash balances with the Bank of Russia	170 770	-	-	170 770
Due from other banks	166 442	-	-	166 442
- Overdue amounts on discounted promissory notes of credit institutions	528	-	-	528
- Discounted promissory notes	162 219	-	-	162 219
Current accounts of credit institutions	5 873	-	-	5 873
- Less: Provision for impairment	(2 178)	-	-	(2 178)
Trading securities			1 590 208	1 590 208
Loans and advances to customers	10 634 876	-	-	10 634 876
- Corporate loans	11 255 221	-	-	11 255 221
- State and municipal organisations	166 101	-	-	166 101
- Loans to individuals - consumer loans	236 496	-	-	236 496
- Reverse sale and repurchase agreements	-	-	-	-
- Less: Provision for impairment of loans and advances to customers	(1 022 942)	-	-	(1 022 942)
Investment securities available for sale	-	254 149	-	254 149
Other financial assets:				
- Other	2 181	-	-	2 181
Total financial assets	13 047 982	254 149	1 590 208	14 892 339
Non-financial assets	-	-	-	594 317
Total assets	13 047 982	254 149	1 590 208	15 486 656

As of 31 December 2012 and 31 December 2011, all of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

32 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2011:

<i>In thousands of Russian Roubles</i>	Loans and receivables	Available-for-sale assets	Total
FINANCIAL ASSETS			
Cash and cash equivalents	2 416 305	-	2 416 305
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	1 412 246	-	1 412 246
- Correspondent accounts and overnight placements with other banks	836 344	-	836 344
- Cash on hand	146 868	-	146 868
- Settlements with currency and stock exchanges	20 847	-	20 847
Mandatory cash balances with the Bank of Russia	139 306	-	139 306
Due from other banks	2 222	-	2 222
- Overdue amounts on discounted promissory notes of credit institutions	528	-	528
Current accounts of credit institutions	2237	-	2237
- Less: Provision for impairment	(543)	-	(543)
Loans and advances to customers	9 750 662	-	9 750 662
- Corporate loans	9 164 570	-	9 164 570
- State and municipal organisations	174 137	-	174 137
- Loans to individuals - consumer loans	276 058	-	276 058
- Reverse sale and repurchase agreements	1 005 825	-	1 005 825
- Less: Provision for impairment of loans and advances to customers	(869 928)	-	(869 928)
Investment securities available for sale	-	3 346 032	3 346 032
Other financial assets:	995	-	995
- Other	995	-	995
Total financial assets	12 309 490	3 346 032	15 655 522
Non-financial assets	-	-	245 141
Total assets	12 309 490	3 346 032	15 900 663

33 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.

Transactions with related parties are entered into in the normal course of business with the Bank's significant shareholders, ultimate beneficiaries, directors and companies with which the Bank has significant shareholders in common. These transactions include settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions.

33 Related Party Transactions (Continued)

Other related parties of the Bank include individuals who can exercise influence over the Bank in making decisions on executing transactions with risk, including the principal terms of the transaction.

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

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Gross amount of loans and advances to customers (contractual interest rate: 11.25% - 15.0%)	-	-	1 253	5 443
Customer accounts (contractual interest rate: 0.1% - 12.05%)	148 031	1 206	75 425	62 806
Subordinated Debt (6.4%-13.0%)	384 758	-	-	-

The income and expense items with related parties for 2012 were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Interest income		2	136	906
Interest expense	29 207	21 686	5 659	5 273
Provision for impairment of loans and advances to customers	-	-	-	(8)
Gains less losses from trading in foreign currencies	1 824	180	86	339
Foreign exchange translation gains less losses	22 150	34 295	1 456	1 454
Fee and commission income	125	962	84	130
Other operating income	-	237	34	7
Administrative and other operating expenses	429	102	54 556	27 978

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

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Guarantees and warranties issued by the Bank at the year end	82 235	-	-	-
Other contingent obligations	2 000	1 000	3 122	1 323

Aggregate amounts lent to and repaid by related parties during 2012 were:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Amounts lent to related parties during the year	2 847	501	9 847	7 210
Amounts repaid by related parties during the year	2 847	501	11 708	17 127

33 Related Party Transactions (Continued)

At 31 December 2011, the outstanding balances with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Gross amount of loans and advances to customers (contractual interest rate: 4.0% - 16.0%)	-	207 299	3 604	5 976
Impairment provisions for loans and advances to customers at 31 December	-	(1 883)	13	(1)
Customer accounts (contractual interest rate: 0.1% - 12.05%)	10 215	697 200	101 844	126 308
Subordinated debt (12.55)	100 000	-	-	-

The income and expense items with related parties for 2011 were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Interest income	6	14 311	1 094	840
Interest expense	6 373	12 097	6 301	12 648
Provision for impairment of loans and advances to customers	-	(1 883)	13	(1)
Gains less losses from trading in foreign currencies	69	3 299	142	18
Foreign currency translation (losses less gains) / gains less losses	(282)	(48 075)	(704)	98
Fee and commission income	45	959	171	156
Other operating income	1	22	34	22
Administrative and other operating expenses	402	9 633	91 668	32 518

At 31 December 2011, other rights and obligations with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Guarantees and warranties issued by the Bank at the year end	-	9 000	-	-
Other contingent obligations	2 000	14 350	4 699	3 263

Aggregate amounts lent to and repaid by related parties during 2011 were:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>In thousands of Russian Roubles</i>				
Amounts lent to related parties during the year	1 070	1 039 910	16 979	9 507
Amounts repaid by related parties during the year	1 070	989 902	15 212	10 299

33 Related Party Transactions (Continued)

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	2012		2011	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	44 322	7 129	67 167	7 911
- Short-term bonuses	6 349	-	21 225	-
- Benefits in-kind	36	-	45	-
- Payments based on the decision of the shareholders' meeting	1 500	-	3 000	-
- Payments as agreed by parties	1 900	-	-	-
Total	54 107	7 129	91 437	7 911

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

In 2012 contributions to the Pension Fund of the Russian Federation in respect of related parties for the compensation of the Bank's key management amounted to RR 6 497 thousand (2011: RR 1 926 thousand).

34 Events After the End of the Reporting Period

In February 2013, Sergey Vladimirovich Generalov became the only ultimate beneficiary of the Bank.

On 6 March 2013, the Bank offered RR 1.5 billion in debut bonds. Total demand topped the offer by 30%. The main investors were Russian commercial banks, management and insurance companies. The coupon rate for the first year was 12.75%.

In accordance with the decision of the Bank of Russia's Board of Directors, the Bank's bonds were included in the Bank of Russia's Lombard List on 17 April 2013. A corresponding letter was published in "Vestnik of the Bank of Russia" on 17 April 2013.

On 15 April 2012, the Bank's extraordinary general shareholders' meeting approved an increase in the Bank's share capital through an additional issue of 2 million registered ordinary shares, with a par value of RR 100 per share, through a private offering at a price of RR 150 per share. On 23 April, the Board of Directors approved the decision on the additional share issue.

Additional shares are being placed under a private offering and will not change the ownership structure of the Bank.

E.I. Kopanyova, Director,
ZAO PricewaterhouseCoopers Audit

30 April 2013



75 (seventy five) pages are numbered, bound and sealed.