

To the shareholders of
Closed Joint Stock Company
“Banca Intesa”

Auditor’s report
on the financial statements (annual report)
of Closed Joint Stock Company
“Banca Intesa”
for the 2012 reporting year

Set out below is an unofficial translation of the auditors’ report on the statutory financial statements of the Closed Joint Stock Company “Banca Intesa” as at 1 January 2013 and for 2012. The statutory financial statements to which the auditors’ report relates have been prepared in accordance with the accounting and reporting regulations of the Russian Federation. Russian accounting and reporting regulations differ from accounting frameworks in other jurisdictions. Consequently, the accompanying statutory financial statements are not intended to present the financial position, financial performance and cash flows of the Closed Joint Stock Company “Banca Intesa” in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation.

Information on the audit firm

<i>Name of the audit firm:</i>	Closed Joint Stock Company “KPMG”.
<i>Location (legal address):</i>	18/1, Olympiysky prospect, Room 3035, Moscow, 129110.
<i>Postal address:</i>	10, Presnenskaya Naberezhnaya, Block C, floor 31, Moscow, 123317.
<i>State registration:</i>	Registered by the Moscow Registration Chamber on 25 May 1992, Registration №. 011.585. Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate №.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration №. 1027700125628, Certificate series 77 №. 005721432.
<i>Membership in a self-regulating auditors’ organisation:</i>	Member of the Non-commercial Partnership “Chamber of Auditors of Russia”. The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 10301000804.

Information on the audited company

<i>Name of audited company:</i>	Closed Joint Stock Company “Banca Intesa”
<i>Location (legal address):</i>	2, building 2, Petroverigsky per., Moscow, 101000.
<i>Postal address:</i>	2, building 2, Petroverigsky per., Moscow, 101000.
<i>State registration:</i>	Registered by the Central Bank of the Russian Federation. Certificate of incorporation № 2216 dated 31 December 1992. Entered in the Unified State Register of Legal entities on 11 September 2002 by the Moscow Inter-Regional Tax Inspectorate №.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration №. 1027739177377, Certificate series 77 № 010860133.
<i>Types of licenses valid to carry out banking operations during the audit period:</i>	General licence issued by the Central Bank of Russian Federation on carrying out banking operations on 27 January 2012, No. 2216.
<i>Types of licenses valid to carry out operations on stock exchange market:</i>	Licence issued by the Federal service on financial markets of a professional participant on stock exchange markets for conducting the following types of operations: brokerage № 177-10794-100000 dated 4 December 2007, dealing № 177-10801-010000 dated 4 December 2007 года, depositary № 177-12028-00100 dated 10 February 2009.
<i>Other types of licences</i>	Licence issued by the Federal service on financial markets of exchange intermediate, conducting commodity, futures and options deals in stock exchange trading, № 1113 dated 20 December 2007.

Auditors' report

To the shareholders of Closed Joint Stock Company "Banca Intesa"

We have audited the accompanying financial statements (annual report) of Closed Joint Stock Company "Banca Intesa" (hereinafter the "Bank") for 2012.

The financial statements (annual report), set on 32 (thirty two) pages, comprise:

- balance sheet (form for publication) as at 1 January 2013;
- profit or loss statement (form for publication) for 2012;
- cash flow statement (form for publication) for 2012;
- statement on capital adequacy, amounts of provisions on doubtful loans and other assets (form for publication) as at 1 January 2013;
- data on mandatory ratios (form for publication) as at 1 January 2013;
- explanatory note.

Management's Responsibility for the Financial Statements (Annual Report)

Management of the Bank is responsible for the preparation and reliability of the financial statements (annual report) in accordance with the requirements of the Russian reporting legislation related to financial statements (annual report) preparation by the credit institutions and for the system of internal control necessary for the preparation of the financial statements (annual report) which are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements (annual report) in all material respects based on our audit. We conducted our audit in accordance with the Federal Law "On auditing", Federal Law "On banks and banking activities", Federal Standards on Auditing. These standards require that we comply with relevant ethical requirements and planning and performing the audit in order to obtain sufficient assurance as to whether the financial statements (annual report) are free from material misstatements.

The audit included performing procedures to obtain audit evidence confirming the amounts and disclosures in the financial statements (annual report). The selection of the procedures is a matter of our judgment, which is based on the assessment of risk of material misstatement, whether due to fraud or error. In the process of risk assessment we considered the system of internal control relevant to the preparation and reliability of the financial statements (annual report) in order to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The audit also included an assessment of the appropriateness of the Bank's accounting policy and the reasonableness of the estimates made by management, as well as the evaluation of the overall presentation of the financial statements (annual report).

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

Opinion

In our opinion, the accompanying financial statements (annual report) present reliably, in all material respects, the financial position of the Bank as at 1 January 2013 and its financial performance and cash flows for the 2012 reporting year in accordance with the requirements of the Russian reporting legislation related to financial statements (annual report) preparation by the credit institutions.

Other Matters

The audit of the financial statements of the Bank as at 1 January 2012 and for the 2011 reporting year was performed by another auditor, which expressed an unmodified opinion in its auditors’ report dated 20 February 2012.

Director CJSC “KPMG”
power of attorney dated 1 October
2010, № 43/10, auditor’s qualification
certificate № 01-000066, unlimited
validity

Malyutina Marina Sergeevna

20 February 2013

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)			
	in accordance with the All-Russia Classifier of Enterprises and Organisations	basic state registration number	registration number (/ordinal number)	bank's identification code
45296561000	17512023	1027739177377	2216	44525922

BALANCE SHEET
(form for publication)
as at 1 January 2013

Of the credit institution Closed Jointed Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2 Petroverigskiy lane, Moscow, Russia, 101000

Form code 0409806
Annual
thousand roubles

Line number	Name of the item	As at reported date	As at the correspondent reporting date of the prior year
1	2	3	4
I. Assets			
1	Cash	672,764	737,879
2	Credit institutions' balances with the Central Bank of the Russian Federation	2,617,087	2,338,656
2.1	Mandatory reserves	374,992	429,886
3	Due from credit institutions	4,001,494	605,454
4	Financial assets at fair value through profit or loss	94,176	-
5	Net loans receivable	63,083,078	74,174,412
6	Net investments in securities and other financial assets available-for-sale	3,031,170	3,373,703
6.1	Investments in subsidiaries and affiliates	3,000	3,000
7	Net investments in securities held to maturity	-	-
8	Premises and equipment, intangible assets and inventories	1,940,797	2,714,342
9	Other assets	1,335,993	2,094,553
10	Total assets	76,776,559	86,038,999
II. Liabilities			
11	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	0	0
12	Due to credit institutions	26,853,728	37,760,240
13	Amounts due to customers (non-credit institutions)	27,928,309	34,846,973
13.1	Deposits of individuals	5,094,871	4,818,302
14	Financial liabilities at fair value through profit or loss	-	-
15	Debt securities issued	8,000,000	-
16	Other liabilities	1,122,241	1,425,695
17	Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	106,506	122,177
18	Total liabilities	64,010,784	74,155,085

III. Equity			
19	Shareholders' (members') equity	10,820,181	10,820,181
20	Treasury shares	-	-
21	Share premium	-	-
22	Reserve fund	193.314	165.834
23	Revaluation reserve for available-for-sale securities	16.063	(100,030)
24	Revaluation surplus for premises and equipment	11	11
25	Retained earnings (accumulated deficit) of prior years	805.560	448.326
26	Unutilized profit (loss) for the reporting period	930.646	549.592
27	Total equity	12,765,775	11,883,914
IV. Off-balance commitments			
28	Irrevocable commitments of the credit institution	11,807,110	12,523,262
29	Guarantees and sureties issued by the credit institution	6,505,595	6,685,702
30	Non-credit related contingent liabilities	18.246	31.489

Acting Chairman of the Management Board

O. Lein

Chief accountant

T. Pavlycheva

20 February 2012

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PROFIT AND LOSS STATEMENT

(form for publication)

for the year 2012

Of the credit institution Closed Joint Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2 Petroverigskiy lane, Moscow, Russia, 101000

Form code 0409807

Annual

thousand roubles

Line number	Name of the item	For the reporting period	For the comparative period of the previous year
1	2	3	4
1	Interest income, total, including:	9,189,489	9,307,514
1.1	Placement with credit institutions	224.038	262.066
1.2	Loans to customers (non-credit institutions)	7,523,474	7,022,985
1.3	Services under finance lease	1,201,925	1,716,157
1.4	Investments in securities	240.052	306.306
2	Interest expense, total, including:	2,872,130	2,622,310
2.1	Funds attracted from credit institutions	1,537,931	1,708,474
2.2	Funds attracted from customers (non-credit institutions)	953.799	912.371
2.3	Issued debt instruments	380.400	1.465
3	Net interest income (negative interest margin)	6,317,359	6,685,204
4	Change in provision for losses from loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, total, including:	2,851,078	(1,988,917)
4.1	Change in provision for losses on accrued interest income	138.289	(28.319)
5	Net interest income (negative interest margin) after provision for losses	9,168,437	4,696,287
6	Net income from transactions with financial assets at fair value through profit or loss	107.534	2.031
7	Net income from transactions with securities available-for-sale	(118.922)	(18.204)
8	Net income from transactions with securities held to maturity	-	-

9	Net income from transactions in foreign currency	228,670	(99.497)
10	Net income from revaluation of foreign currency	(40.039)	365.199
11	Income from equity participation	-	-
12	Fee and commission income	940.186	971.771
13	Fee and commission expense	139.653	162.244
14	Change in provision for losses on securities available for sale	-	-
15	Change in provision for losses on securities held to maturity	-	-
16	Change in provision for other losses	(470.648)	(308.519)
17	Other operating income	273.802	282.372
18	Net income (expenses)	9,949,367	5,729,196
19	Operating expense	8,404,480	4,849,681
20	Profit (loss) before taxation	1,544,887	879.515
21	Taxes accrued (paid)	614.241	329.923
22	Profit (loss) after taxation	930.646	549.592
23	Payments from the profit after taxation, total, including:	-	-
23.1	Dividends distributed to shareholders (members)	-	-
23.2	Reserve fund charges	-	-
24	Retained profit (loss) for the reporting period	930.646	549.592

Acting Chairman of the Management Board

O. Lein

Chief accountant

T. Pavlycheva

20 February 2012

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Statement of capital adequacy, loan impairment and other provisions
(form for publication)
as at the 1st of January 2013

Of the credit institution Closed Jointed Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2 Petroverigskiy lane, Moscow, Russia, 101000

Form code 0409808

Annual

thousand roubles

Line number	Name of the index	Data as at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting year	Data as at reporting date
1	2	3	4	5
1	Equity (capital), total, including:	12,107,196.0	514.834	12,622,030.0
1.1	Charter capital of credit institution, including:	10,820,181.0		10,820,181.0
1.1.1	Nominal value of registered ordinary shares (units)	10,820,181.0		10,820,181.0
1.1.2	Nominal value of registered privileged shares	-		-
1.2	Treasury shares	-		-
1.3	Share premium	-		-
1.4	Reserve fund of the credit institution	165,834.0	27,480	193,314.0
1.5	Retained earnings (accumulated losses) used in equity calculation:	763,591.0	648.332	1,411,923.0
1.5.1	for prior years	763,591.0	41.969	805,560.0
1.5.2	for the reporting year	-	606.363	606,363.0
1.6	Intangible assets	35,433.0	18.578	54,011.0
1.7	Subordinated debt	396,012.0	(142,400)	253,612.0
1.8	Sources (part of the sources) of an additional capital, which were created by investors using improper assets	-		-
2	Statutory equity (capital) adequacy ratio, (percent)	10.0	X	10.0
3	Actual equity (capital) adequacy ratio, (percent)	14.8	X	16.3
4	Actual provisions for losses, total, including:	9,447,307.0	(2,448,939)	6,998,368.0
4.1	For loans receivable and similar debt	8,762,248.0	(2,851,780)	5,910,468.0
4.2	For other assets bearing a risk of losses and other losses	562,882.0	418.512	981,394.0
4.3	For contingent credit-related commitments, accounted off-balance and term deals	122,177.0	-15.671	106,506.0
4.4	For transactions with offshore residents	-		-

Section "By Way of Reference":

1. Accrual (additional accrual) of provision for losses from loans receivable and similar debt in the reporting period (thousand roubles), total 2,131,615;

including due to:

- 1.1. issue of loans 437,972;
- 1.2. change in loans quality 1,334,877;
- 1.3. change in the official exchange rate of the foreign currency with respect to the rouble, established by the Bank of Russia 0;
- 1.4. for the other reasons 358,766;

2. Reversal (decrease) of provision for losses from loans receivable and similar debt in the reporting period (thousand roubles), total 4,983,395;

including due to:

- 2.1. write off bad debts 684;
- 2.2. repayment of loans 1,096,400;
- 2.3. change in loans quality 161,490;
- 2.4. change in the official exchange rate of the foreign currency with respect to the rouble, established by the Bank of Russia 79,746;
- 2.5. for the other reasons 3,645,075

Acting Chairman of the Management Board

O. Lein

Chief accountant

T. Pavlycheva

20 February 2012

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Information on prudential ratios
(form for publication)
as at 1 January 2013

Of the credit institution Closed Joint Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2 Petroverigskiy lane, Moscow, Russia, 101000

Form code 0409813

Annual
percent

Line number	Name of the index	Normative value	Actual value			
			as at reporting date		at the correspondent reporting date of the prior year	
1	2	3	4		5	
1	Equity (capital) adequacy ratio (N1)	10	16.3		14.8	
2	Equity (capital) adequacy ratio of non-banking credit institution entitled to money transfers without opening bank accounts and to other related banking transactions (N1.1)					
2	Instant liquidity ratio (N2)	15	75.7		51.3	
3	Current liquidity ratio (N3)	50	91.4		85.6	
4	Long-term liquidity ratio (N4)	120	67.5		102.4	
5	Maximum risk per borrower or group of related borrowers ratio (N6)	25	Maximum	13.5	Maximum	21.3
			Minimum	0.1	Minimum	0.1
6	Maximum size of major credit risks ratio (N7)	800	79.4		180.7	
7	Maximum amount of loans, guarantees and sureties issued by the Bank to shareholders (participants) ratio (N9.1)	50	12.0		13.4	
8	Aggregate insider risk ratio (N10.1)	3	1.1		1.5	
9	Share of equity (capital) that can be used to	25	X		X	
10	Ratio of liquid assets maturing within the next 30 calendar days to total liabilities of payment-processing non-banking credit institution (N15)	X	X		X	
12	Ratio of liquidity of non-banking credit institution entitled to money transfers without opening bank accounts and to other related banking transactions (N15.1)	X	X		X	
11	Maximum aggregate loans to customers who are parties to settlements for completing the settlements ratio (N16)	X	X		X	
12	Loans issued to borrowers by payment-processing non-banking credit institution in its name and at its expense excluding customers who are parties to settlements ratio (N16.1)	X	X		X	

13	Minimum ratio of mortgage-backed loans issued to equity (capital) (N17)	X	X	X
14	Minimum ratio of mortgage value to mortgage-backed bonds (N18)	X	X	X
15	Maximum ratio of an issuer credit institution's total liabilities to creditors who according to federal laws have priority in satisfying their claims on holders of mortgage bonds, to equity (capital) (N19)	X	X	X

Acting Chairman of the Management Board

O. Lein

Chief accountant

T. Pavlycheva

20 February 2012

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CASH FLOW STATEMENT
(form for publication)
for the year 2012

Of the credit institution Closed Joint Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2 Petroverigskiy lane, Moscow, Russia, 101000

Form code 0409814
Annual
thousand roubles

Line number	Name of the item	As at reported date	At the correspondent reporting date of the prior year
1	2	3	4
1	Net cash flows from (used in) operating activities		
1.1	Cash flows from (used in) operating activities before changes in operating assets and liabilities, total, including:	3,091,034	3,376,404
1.1.1	Interest received	8,809,428	9,310,027
1.1.2	Interest paid	(2,838,409)	(2,583,783)
1.1.3	Fees and commissions received	940.186	971.771
1.1.4	Fees and commissions paid	(139.653)	(162.244)
1.1.5	Gains less losses from financial assets at fair value through profit or loss, available for sale	63.799	692.000
1.1.6	Gains less losses from securities held to maturity	-	-
1.1.7	Gains less losses from transactions in foreign currency	228,670	(99.497)
1.1.8	Other operating income	71.598	(38.376)
1.1.9	Operating expenses	(3,608,106)	(3,636,217)
1.1.10	Income tax expense (refund)	(436.479)	(385.969)
1.2	Increase (decrease) in net cash flows from operating assets and liabilities, total, including:	599.653	(5,010,969)
1.2.1	Net increase (decrease) in mandatory cash balances with the Central Bank of the Russian Federation	54.894	(237.430)
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss	(1.461)	1.698
1.2.3	Net increase (decrease) in loans receivable	10,238,561	(3,534,990)
1.2.4	Net increase (decrease) in other assets	192.387	103.395
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Central Bank of the Russia	-	-
1.2.6	Net increase (decrease) in amounts due to other credit institutions	(10,795,469)	(1,330,162)

1.2.7	Net increase (decrease) in amounts due to customers (non-credit institutions)	(6,796,585)	106.386
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.9	Net increase (decrease) in issued debt instruments	8,000,000	(16.533)
1.2.10	Net increase (decrease) in other liabilities	(292.674)	(103.333)
1.3	Total on Section 1 (line 1.1+ line 1.2)	3,690,687	(1,634,565)
2	Net cash flows from (used in) investing activities		
2.1	Purchase of securities and other financial assets designated as available-for-sale	(1,974,839)	(3,707,116)
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available-for-sale	2,247,645	4,636,096
2.3	Purchase of securities designated as held-to-maturity	-	-
2.4	Proceeds from redemption of securities designated as held-to-maturity	-	-
2.5	Purchase of premises and equipment, intangible assets and inventories	(299.318)	(1,172,172)
2.6	Proceeds from sale of premises and equipment, intangible assets and inventories	180.733	211.618
2.7	Dividends received	-	-
2.8	Total on Section 2 (the sum of lines from 2.1 to 2.7)	154.221	(31.574)
3	Net cash flows from (used in) financing activities		
3.1	Contributions from shareholders (members) to the charter capital	-	-
3.2	Purchase of treasury shares	-	-
3.3	Sale of treasury shares	-	-
3.4	Dividends paid	(164.878)	-
3.5	Total on Section 3 (the sum of lines from 3.1 to 3.4)	(164.878)	-
4	Effect of changes in official exchange rates of foreign currencies to the Ruble set by the Bank of Russia on cash and cash equivalents	(15.780)	90.622
5	Increase (decrease) in cash and cash equivalents	3,664,250	(1,575,517)
5.1	Cash and cash equivalents as at the beginning of the reporting year	3,252,103	4,827,620
5.2	Cash and cash equivalents as at the end of the reporting year	6,916,353	3,252,103

Acting Chairman of the Management Board

O. Lein

Chief accountant

T. Pavlycheva

20 February 2012

EXPLANATORY NOTES
to the annual report of
Closed Joint-Stock Company Banca Intesa
for the period from 1 January to 31 December 2012

I. Significant information on the credit institution

Closed Joint-Stock Company Banca Intesa ("the Bank") is a commercial bank with 100% foreign participation organized in the form of a closed joint-stock company under the laws of the Russian Federation. The Bank is registered by the Central Bank of the Russian Federation ("Bank of Russia"). Registration number is 2216 dated 31/12/92. The Main State Registration Number is 1027739177377. The date of entry in records of Incorporation on first data presentation of the credit institution is September 11, 2002, the name of the registering authority who made the recording Interdistrict Inspection of the Russian Ministry of Taxation № 39 in Moscow.

CJSC "Banca Intesa" was formed as a result of the reorganization of KMB BANK (JSC) through affiliation of JSC "Banca Intesa". The reorganized bank received corporate name of affiliated JSC "Banca Intesa". The strategic decision of shareholders of KMB BANK (JSC) and CJSC "Banca Intesa" to merger their Russian subsidiaries was made in order to develop the activities of the merged bank in Russia. The reorganized bank took a stronger position in the market due to optimization of business processes and organizational structure, as well as the application of a new strategy aimed at the development of the Bank as universal.

The Bank is a subsidiary bank of Intesa Sanpaolo, the Italian banking group holding the controlling stake of the Bank.

The Bank's shareholders as of 01/01/13 and 01/01/12 are as follows:

Name of the shareholder	As of 01/01/13, %	As of 01/01/12, %
Intesa Sanpaolo S.p.A. (Italy)	46.98	46.98
Intesa Sanpaolo Holding International S.A. (Luxembourg)*	39.77	39.77
European Bank for Reconstruction and Development (the "EBRD") (United Kingdom)	13.25	13.25
Total	100.00	100.00

* a 100% subsidiary of Intesa Sanpaolo S.p.A (Italy)

The Bank has a 100%-owned subsidiary CJSC Intesa Leasing, which is principally engaged in the provision of leasing services to the Bank's clients and other companies.

The Bank's head office is located in Moscow, the address is: 101000, Petroverigsky per., 2, building 2. As at 01/01/13 the Bank has 6 regional branches in the Russian Federation in the cities of Saint Petersburg, Nizhniy Novgorod, Yekaterinburg, Novosibirsk, Vladivostok and Rostov-on-Don and 70 operational offices in 33 cities within the Russian Federation (as at 01/01/2012: 69 offices).

In 2012, the Bank continued its development as a full-service bank providing services to companies from all economic segments and industries as well as to individual customers.

The Bank offers all types of banking products and services to small and medium businesses: short-term and long-term loans, including overdrafts, credit facilities, loans secured by the acquired motor vehicles and commercial real estate (business mortgages), letters of credit and guarantees, cash and settlement services, deposits, electronic banking, trade acquiring and salary projects.

The Bank's principal activities in the segments of corporate and large corporate business are lending, including structured and trade financing, cash management, syndicated and club loans.

The Bank and CJSC Intesa Leasing provide leasing services to clients from all business segments.

The Bank continues cooperating with leading Russian and international financial institutions with particular emphasis on maintenance and increase of commercial deals between Italy and Russia.

On the private customer level, the Bank's services include consumer and mortgage lending, attracting deposits, cash and settlement transactions, including the use of international bank cards and remote service technologies (electronic banking). Priority retail operations include servicing the employees of the Bank's client companies.

The Bank conducts its operations on the base of the following licenses:

Type of license	Number of license	License issue date	Issued by	Validity term
General license for banking operations	2216	27/01/12	The Bank of Russia	unlimited
Brokerage operations	177-10794-100000	04/12/07	Federal Service on Financial Markets	unlimited
Dealing operations	177-10801-010000	04/12/07	Federal Service on Financial Markets	unlimited
License of a stock agent in exchange trading to enter into agreements being derivative financial instruments, where commodities are underlying assets	1113	20/12/07	Federal Service on Financial Markets	unlimited
Custody services	177-12028-00100	10/02/09	Federal Service on Financial Markets	unlimited

In 2004, the Bank became a member of the obligatory deposit insurance system regulated by the State Corporation "Agency for Deposits Insurance".

Information on economic environment

The Bank's operations are primarily located in the Russian Federation. Consequently, the Bank is exposed to the economic and financial risks of the markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. The enclosed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

Information on ratings

The rating agency (rating)	As of 01/01/13	As of 01/01/12
Moody's-Interfax (long-term national scale credit rating)	Aa1.ru	Aaa.ru
Moody's (long-term currency deposit rating)	Ba1/stable	Baa3
Moody's (financial stability rating)	D-/ stable	D-
Moody's (short-term currency deposit rating)	Not Prime	Prime-3 (outlook "stable")

Information on development prospects

The Bank is planning further expansion of its operations due to higher lending volumes and diversification of the range of services.

At the beginning of 2010, the Bank started its development as a full-service bank following the reorganization that resulted in combining the loan portfolio of KMB Bank (CJSC) mainly consisting of loans to small and medium enterprises with the corporate loan portfolio of CJSC Banca Intesa.

Further development of the Bank as a full-service bank is one of its priorities. Being a universal bank allows diversifying sources of income, which, in its turn, has a positive impact on strengthening the Bank's financial position.

To develop the Bank as a full-service bank, lending volumes to customers from all business segments are planned to be increased. This implies cooperation with investment divisions of the parent bank which possesses significant experience in corporate and investment banking.

The volumes of retail banking services, including lending, have to be expanded primarily through servicing the employees of the Bank's client companies and wealthy clients.

The goal to maintain the leading position on the market of loans provided to small and medium enterprises is strategic for the Bank. Currently the bank ranks number 8 among the largest Russian banks in lending to small and medium enterprises.

The Bank has to diversify its liabilities for the purpose of expanding assets operations in the context of continued economic uncertainty. Expanding liabilities operations including attracting time deposits of individuals and legal entities will be essential for the Bank's development in next years.

Lending operations had the most significant impact on changes in the Bank's financial results.

Information on regional operations

The Bank has a wide network of regional offices consisting of divisions in seven federal districts of the Russian Federation. The Bank has branches in six federal districts. Operational offices by federal districts are distributed as follows: Volga Federal District – 18, Siberian Federal District – 13, Central Federal District – 12, Urals Federal District – 8, Northwestern Federal District – 9, Southern Federal District – 7, Far Eastern Federal District – 3. All the Bank's branches are engaged in providing loans to customers from micro, small and medium business segments, mortgage and consumer lending, lease operations, cash and settlement operations with individuals and legal entities. The head office and branches located in St. Petersburg, Nizhny Novgorod, Yekaterinburg, Novosibirsk and Rostov-on-Don are engaged in corporate lending operations. Banking cells can be rented at 8 operational offices and 4 Bank's branches in Nizhny Novgorod, Novosibirsk, Rostov-on-Don and Vladivostok. The Bank's ATMs operate in all regional branches and the head office.

Only the head office is engaged in providing syndicated loans, attracting and placing interbank loans and deposits, purchasing and selling foreign currency in the interbank market, operations on the securities market.

Summary of material changes in the credit institution's operations and events that affected or can affect the financial stability of the credit institution and its policy (strategy) during the reporting year.

There were no material changes in the Bank's operations during the reporting period.

The main indicators of the Bank's activities are:

Name of indicator	RUB thousand	
	as of 01/01/13	as of 01/01/12
Equity (capital) (based on form 808)	12 622 030	12 107 196
Profit after tax	930 646	549 592
Total assets	76 776 559	86 038 999
Customer accounts of individuals	5 094 871	4 818 302
Customer accounts of legal entities, including	22 833 438	30 028 671
<i>Customer accounts of legal entities, except for related parties</i>	<i>13 842 398</i>	<i>14 815 177</i>

Events that can negatively affect the Bank's financial stability are:

- significant economic slowdown;
- crisis of the political system;
- stagnation in the development of the banking system;
- growing competition including that on the part of banks with foreign capital, which are members of international financial groups.

To overcome possible negative effects of these factors the Bank is planning to undertake the following measures:

- expand the range and improve the quality of products and services provided to customers;
- improve operating efficiency of banking products sales channels;
- improve the quality of customer services and enhance confidence in the Bank, including the effective compliance risk management;
- raise awareness of the Bank's brand among the Russian public in general and potential customers in particular.

Members of the credit institution's governing bodies

Composition of the Board of Directors of the Bank:

Name, as of 01/01/13	Name, as of 01/01/12
Antonino Fallico	Antonino Fallico
Salvatore Catalano	Salvatore Catalano
Norberto Achille	Norberto Achille
Thomas Grasse	Thomas Grasse
Walter Ambrogi	Walter Ambrogi
Armando Selva	Giampiero Trevisan
Michele Raris	Eliano Lodesani
	Armando Selva
	Michele Raris

The Chairman of the Board of Directors as of 01/01/13 and 01/01/12 - Antonino Fallico.

The Management Board of the Bank include:

Name as of 01/01/13	Name as of 01/01/12
Olga Vadimovna Lein	Olga Vadimovna Lein
Tatiana Yurievna Pavlycheva	Tatiana Yurievna Pavlycheva
Emanuele Collini	

A person holding position (discharging functions) of a sole executive body of the credit institution as of 01/01/13 and 01/01/12 - Olga Vadimovna Lein.

Members of the Board of Directors and the Management Board of the Bank during 2012 and 2013's did not own shares of the Bank.

II. Significant information on financial position

The Bank maintains its records and prepares its financial statements for regulatory purposes in Russian Rubles in accordance with Russian accounting and banking legislation and related instructions ("RAL"). This information is based on the Bank's RAL books and records prepared according to Russian Accounting Standards.

During 2012 and 2011, the Bank has complied with all the Bank of Russia obligatory ratios, fulfilled the reserve requirement of the Bank of Russia; met the requirements of the participants in the system of insurance of individual deposits in Russian banks.

Basic operations of the Bank that have the greatest influence on the financial results and return on equity focused on lending to large and medium-sized corporate customers, small and medium enterprises of the Russian Federation, retail lending and attraction of deposits, provision of settlement and cash services.

Basic operations of the Bank with the greatest impact on income in 2012 and 2011 are:

Name of indicator	As of 01/01/13, RUB thousand	The share in total income, %	As of 01/01/12, RUB thousand	The share in total income, %
Interest income from placements with credit institutions	224 038	1,49	262 066	1,83
Interest income from loans to customers (not credit institutions)	7 523 474	50,10	7 022 985	48,93
Interest income from leasing operations	1 201 925	8,00	1 716 157	11,96
Interest income from operations with securities	240 052	1,60	306 306	2,13

Basic operations of the Bank with the greatest impact on expenses in 2012 and 2011 are:

Name of indicator	As of 01/01/13, RUB thousand	The share in total expense, %	As of 01/01/12, RUB thousand	The share in total expense, %
Interest expenses on funds attracted from credit institutions	1 537 931	9,63	1 708 474	14,56
Interest expenses on funds attracted from customers other than credit institutions	953 799	5,97	912 371	7,78
Interest expenses on debt securities issued	380 400	2,38	1 465	0,01

2.1. Information on country and industry risk concentration

Country risk is the risk that the Bank may incur losses as a result of foreign counterparties failing to meet their obligations due to economical, political and social changes or because the currency of a monetary liability (other than the national currency of the state where the Bank is registered) may be inaccessible to a counterparty due to specifics of the national legislation (irrespective of the counterparty's financial position).

The Bank is resident in the Russian Federation. Most of the Bank's operations are performed in several regions of the Russian Federation; therefore, both general nationwide changes and regional development have a significant influence on the Bank's activities. Legislation and respective regulations affecting the companies' activities in the Russian Federation are subject to frequent changes; the Bank's assets and operations may be exposed to risk due to negative changes in the political and business environment.

Country risk is a multifactor phenomenon, which is characterized by close links between many financial, economic, social and political variables.

The general country risk includes non-commercial (political) and commercial risks. Commercial risk can exist both at the state (country) level (i.e., the risk of insolvency in case the loan is granted by a foreign state) and at the corporate level – trans-border risk (i.e., the risk that some state (country) may impose limitations on transferring capital to foreign investors in the context of its economic policy).

Non-commercial (political) risk assumes a possibility of financial losses for a company as a result of adverse political factors in the country of investment.

Conditions existing on financial markets and overall economic situation, primarily in Russia, are likely to affect the operations of CJSC Banca Intesa.

Further economic instability in the European Union and its respective influence on the Russian economy may result in reduced demand for the Bank's services and, consequently, decreased operating income for the Bank, may limit the Bank's opportunities to retain the existing customers and increase risks relating to the loan portfolio.

In addition to economic risks, the Bank's operations are also exposed to respective political and social risks that arise due to certain political instability in the country, possible application by the government of emergency measures in the social and political spheres, existence of social problems.

The governments of Moscow and the Russian Federation exercise influence on the Bank's operations through applying laws and regulations that may affect the Bank's financial position and results of its operations.

The Moscow region is a financial center and the place where Russian and foreign financial institutes are concentrated, which is a positive factor for expanding the Bank's operations.

The Bank assesses the political and economic situation in this region as relatively stable, however, possible adverse changes in the payment status of potential borrowers may affect granting of new loans, which could result in a decrease of the Bank's operating income.

In addition to the above, risks related to the Bank's regional operations are primarily determined by a less favorable economic and social situation in the regions as well as specific requirements and regulations set by the regional legislation and local authorities.

Uncertain or unfavorable market conditions may negatively affect the Bank's performance and profitability. However, the Bank uses modern instruments to manage and regulate risks when assessing possible negative effects on its operations. Accordingly, the Bank is now assessing country and regional risks as low.

The information presented below is disclosed based on reporting forms 0409302 "Data on funds placed and borrowed by credit institutions", 0409115 "Information on the assets' quality of a credit institution" and 0409806 "Balance sheet (published form)" established by CBR Instruction № 2332-U.

2.2. Cash

Cash balances comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Cash balances in Russian rubles	503 805	617 126
Cash balances in foreign currency	168 959	120 753
Total	672 764	737 879

2.1.2 Amounts due from credit institutions

Amounts due from credit institutions include current accounts with credit institutions. Information on concentration of amounts due from credit institutions by country:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
The Russian Federation	246 566	132 173
OECD countries	3 754 928	473 281
Amounts due from credit institutions	4 001 494	605 454

2.1.3 Net investments in securities at fair value through profit or loss

As of 01/01/13 and 01/01/12, there are no net investments in securities at fair value through profit or loss.

2.1.4 Net investments in securities and other financial instruments available-for-sale

Net investments in securities and other financial instruments available-for-sale comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Debt securities of the Russian Federation	2 982 891	3 107 720
Other debt securities	40 868	258 572
Equity securities of other organizations	4 411	4 411
Shares of the subsidiaries and the affiliated companies	3 000	3 000
Net investments in securities and other financial assets available-for-sale	3 031 170	3 373 703

As of 01/01/13, total amount of investments in securities available for sale includes outstanding MOIA debt obligations in the amount of RUB 3 204 thousand, for which a 100% provision for impairment of RUB 3 204 thousand was created.

Information on concentration of net investments in securities and other financial instruments available-for-sale by country is presented below:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
The Russian Federation	3 031 170	3 373 703
Net investments in securities and other financial assets available-for-sale	3 031 170	3 373 703

2.1.5 Net loans receivable

Net loans receivable comprise short-term and long-term interbank deposits with Russian and international banks and loans to customers less provisions for impairment.

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Interbank deposits	11 365 638	13 938 032
<i>Total net loans receivable under interbank deposits</i>	<i>11 365 638</i>	<i>13 938 032</i>
Loans to customers	57 516 846	68 749 258
Provision for impairment on loans to customers	(5 799 406)	(8 512 878)
<i>Total net customer loans receivable</i>	<i>51 717 440</i>	<i>60 236 380</i>
Total net loans receivable	63 083 078	74 174 412

Interbank deposits

As of 01/01/13 and 01/01/12, provision for interbank deposits has not been created since these amounts are considered to be of high credit quality.

Information on placed interbank deposits with shareholders is presented below:

Name of shareholder	Term	RUB thousand	
		As of 01/01/13	As of 01/01/12
INTESA SANPAOLO SPA NY BRANCH	2-7 days	789 690	354 157
INTESA SANPAOLO SPA MILAN BRANCH	8-30 days	4 647 023	7 689 362
INTESA SANPAOLO SPA MILAN BRANCH	31-90 days	1 974 226	0
Total amount of interbank deposits placed with shareholders of the Bank		7 410 939	8 043 519

Information on concentration of interbank deposits by country:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Russian Federation	3 699 699	5 894 513
Developed countries	7 665 939	8 043 519
Total interbank deposits	11 365 638	13 938 032

Information on interbank deposits by maturities:

Name of indicator	RUB thousand	
	As of 01/01/13	As of 01/01/12
On demand	2 429	0
2 to 7 days	789 690	354 157
8 to 30 days	5 562 023	8 934 291
31 to 90 days	1 974 226	625 071
1 to 3 years	3 037 270	4 024 513
Total interbank deposits	11 365 638	13 938 032

Loans to customers (non-credit institutions)

Information on industry risk concentration and types of loans comprises the following:

	As of 01/01/13		As of 01/01/12	
	Thousand RUB	Percentage in total loans receivable	Thousand RUB	Percentage in total loans receivable
Loans granted to clients-residents of the Russian Federation, including:	53 108 825	92,34	61 027 395	88,77
<i>1. Legal entities and individual entrepreneurs, including:</i>	<i>47 434 027</i>	<i>82,47</i>	<i>53 895 903</i>	<i>77,39</i>
1.1. By industry:	46 530 478	80,90	53 110 319	77,25
1.1.1. manufacturing	5 906 599	10,27	10 129 112	14,73
1.1.2. electricity, gas and water production	205 017	0,36	207 953	0,30
1.1.3. agriculture	417 420	0,73	399 067	0,58
1.1.4. construction	1 047 503	1,82	928 329	1,35
1.1.5. transport and communication	2 820 433	4,90	2 508 861	3,65
1.1.6. wholesale and retail trade	20 073 438	34,90	17 985 332	26,16
1.1.7. operations with real estate	3 177 716	5,52	3 000 359	4,36
1.1.8. mining operations	37 444	0,07	16 958	0,02
1.1.9. other industries	12 844 908	22,33	17 934 348	26,09
1.2. for accounts settlements	903 549	1,57	785 584	1,14
1.3. from total loans granted to small and medium businesses, including:	41 676 224	72,46	45 086 035	65,58
1.3.1. individual entrepreneurs	13 783 449	23,96	14 223 251	20,69
<i>2. Individuals, including:</i>	<i>5 674 798</i>	<i>9,87</i>	<i>7 131 492</i>	<i>10,37</i>
2.1. mortgage loans	1 529 429	2,66	1 926 334	2,80
2.2. consumer loans	4 145 369	7,21	5 205 158	7,57
Loans granted to clients non-residents	3 501 708	6,09	6 397 078	9,30
Acquired demand rights, including:	906 313	1,58	1 324 785	1,93
1.1. manufacturing	177 173	0,31	509 772	0,74
1.2. operations with real estate	729 140	1,27	815 013	1,18
Total loans to customers	57 516 846	100	68 749 258	100

In total outstanding loans as of 01/01/13 included amounts paid on guarantees issued to clients Bravissimo LLC in the amount of RUB 538 thousand, the respective provision for impairment was created in the amount of RUB 538 thousand (on 01/01/12 the amount paid on guarantees amounted to RUB 20 595 thousand, the respective provision was RUB 4 765 thousand).

Information on concentration of loans to corporate customers non-residents by country is presented below:

	As of 01/01/13		As of 01/01/12	
	Thousand RUB	% from total loans to corporate customers non-residents	Thousand RUB	% from total loans to corporate customers non-residents
Loan to legal entities non-residents, including:	3 487 526	100,00	6 381 086	100,00
Kazakhstan	-	-	1 287 844	20,18
Bosnia and Herzegovina	201 143	5,77	208 357	3,27
The Netherlands	1 425 235	40,87	1 425 235	22,33
Luxemburg	843 686	24,19	1 788 672	28,03
Cyprus	1 017 461	29,17	1 670 978	26,19

2.1.6 Property and equipment, intangible assets and inventories

Property and equipment, intangible assets and inventories comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Property and equipment	5 079 970	6 283 615
Accumulated depreciation	(3 322 789)	(3 623 408)
<i>Total carrying value of property and equipment</i>	<i>1 757 181</i>	<i>2 660 207</i>
Provisions for impairment of assets	(125 380)	(98 386)
<i>Total net value of property and equipment</i>	<i>1 631 801</i>	<i>2 561 821</i>
Intangible assets	67 799	42 857
Accumulated depreciation	(13 788)	(7 424)
<i>Total carrying value of intangible assets</i>	<i>54 011</i>	<i>35 433</i>
<i>Investments in construction and acquisition of property and equipment and intangible assets</i>	<i>65 927</i>	<i>40 710</i>
Spare parts	984	2 885
Materials	275	75
Non-current inventories	189 214	73 278
Fixtures and fittings	1 262	140
<i>Total inventories</i>	<i>191 739</i>	<i>76 378</i>
Provisions for impairment of assets	(2 681)	0
<i>Total net value of inventories</i>	<i>189 058</i>	<i>76 387</i>
Total property and equipment, intangible assets and inventories	1 940 797	2 714 342

The structure of property and equipment is presented below:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Property and equipment used by the Bank	1 840 932	1 894 330
Accumulated depreciation	(912 372)	799 107
<i>Total carrying value of property and equipment used by the Bank</i>	<i>928 560</i>	<i>1 095 223</i>
Property and equipment let on lease and out back on balance	3 239 038	4 389 285
Accumulated depreciation	(2 410 417)	2 824 301
<i>Total carrying value of property and equipment let on lease and put back on the balance</i>	<i>828 621</i>	<i>1 564 984</i>
Provisions for impairment	(125 380)	98 386
<i>Total net value of leased property and equipment let on lease</i>	<i>703 241</i>	<i>1 466 598</i>
Total net value of property and equipment	1 631 801	2 561 821

Information on the results of property and equipment let on lease classification by risk category and the amount of actual provision for impairment is presented below:

	As of 01/01/13		As of 01/01/12	
	Base for provision	Created provision	Base for provision	Created provision
<i>Individual provision</i>	235 092	102 288	155 142	53 127
Risk category 1	126 979	0	96 743	0
Risk category 2	6 481	1 296	890	9
Risk category 3	809	170	5 558	1 167
Risk category 5	100 822	100 822	51 951	51 951
<i>Grouped in homogeneous portfolios</i>	588 019	17 582	1 392 563	45 259
Risk category 2	588 019	17 582	-	-
Risk category 3	-	-	1 392 563	45 259
Total	823 111	125 380	1 547 705	98 386

The amount of actually created provision for impairment is equal to estimated one. Lease payments are due on a monthly basis. The Bank holds title to property let on lease during the lease term. Risks related to the leased property such as damage caused by various reasons, theft and other are insured under finance lease agreements.

2.1.7. Other assets

Other assets comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
<i>Outstanding settlements on plastic card operations</i>	7 935	4 031
<i>Overdue interest on loans granted</i>	112 322	262 264
<i>Settlements on individual transactions, including:</i>	585 169	594 439
Settlements with currency and stock exchanges	178 902	193 393
Interest claims	350 832	342 280
Claims under other transactions	55 435	58 766
<i>Settlements with debtors and creditors, including:</i>	1 030 956	1 216 542
Settlements on taxes and levies	12 285	136 507
Payroll settlements with employees	136	228
Settlements with employees in respect of accountable advances	442	437
Value added tax paid	44 898	79 751
Settlements with suppliers and customers	760 571	636 250
Settlements with non-resident firms in respect of economic operations	44 324	67 851
Settlements with other debtors	168 300	295 518
<i>Deferred expenses</i>	512 182	704 455
<i>Provisions for possible losses on other assets</i>	(912 571)	(687 178)
Total other assets	1 335 993	2 094 553

As of 01/01/13 other assets comprise settlements with Temenos (Netherlands) on information systems in amount of RUB 281 397 thousand (01/01/12 - RUB 455 876 thousand).

The structure of provisions for possible losses on other assets is presented below:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
<i>Provisions on outstanding settlements on plastic card operations</i>	821	860
<i>Provisions on overdue interest on granted loans</i>	105 639	243 475
<i>Provisions on settlements on individual transactions, including:</i>	54 487	53 692
Accrued interest claims	5 135	5 567
Other claims	49 352	384 943
<i>Provisions on settlements with debtors and creditors, including:</i>	751 624	389 151
Shortages	132	-
On past due settlements with non-resident entities in respect of economic operations		42 239
On past due settlements, state duties and claims in respect of economic operations	6 095	5 855
On past due leasing payments, state duties and claims on leasing operations	612 984	54 275
On clients' claims	3 321	7 306
On state duties and penalties on loans	129 092	275 268
Total provisions for possible losses on other assets	912 571	687 178

2.1.8 Amounts due to credit institutions

Amounts due to credit institutions comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Correspondent accounts of non-resident banks	319 650	1 140 013
Loans and deposits from resident banks	6 680 000	3 620 000
Loans and deposits from non-resident banks	19 854 078	33 000 225
Amounts due to credit institutions	26 853 728	37 760 240

Information on loans and deposits from resident banks by contractual maturity:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
8 to 30 days	6 680 000	3 620 000
Total	6 680 000	3 620 000

Information on loans and deposits from non-resident banks by contractual maturity:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
8 to 30 days	-	1 022 000
181 days to 1 year	-	3 541 571
1 to 3 years	4 003 727	321 961
More than 3 years	15 850 351	28 114 693
Total	19 854 078	33 000 225

Information on concentration of interbank loans by country:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
The Russian Federation	6 680 000	3 620 000
OECD countries, including	19 854 078	33 000 225
Republic of Italy	470 777	1 499 040
Luxembourg	19 383 301	31 501 185
Total interbank loans	26 534 078	36 620 225

2.1.9 Amounts due to customers (non-credit organizations)

Amounts due to customers (non-credit organizations) comprise the following:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
<i>Amounts due to federally owned organizations</i>	37	3 069
<i>Amounts due to state-owned (except federally owned) organizations</i>	30	105
<i>Amounts due to private organizations, including</i>	<i>11 231 438</i>	<i>12 629 264</i>
settlement accounts	9 560 244	8 841 461
time deposits	1 671 194	3 787 803
<i>Attracted funds of non-resident legal entities</i>	<i>10 690 110</i>	<i>16 605 991</i>
settlement accounts and on demand accounts	1 479 160	704 762
time deposits	9 210 950	15 901 229
<i>Other legal entities, including</i>	<i>911 823</i>	<i>790 242</i>
settlement accounts	772 086	740 554
<i>Individuals, including</i>	<i>5 094 871</i>	<i>4 818 302</i>
current accounts and on demand accounts of residents	1 237 292	1 122 609
time deposits of residents	3 367 708	3 275 207
current accounts and on demand accounts of non-residents	317 822	203 863
time deposits of non-residents	172 049	216 623
Total amounts due to non-credit organizations	27 928 309	34 846 973

Information on concentration of time deposits of non-residents by country:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
<i>Time deposits of legal entities non-residents, including:</i>	<i>9 210 950</i>	<i>15 901 229</i>
Italy	160 914	84 048
Cyprus	60 745	604 392
Germany	0	113 663
Luxembourg	8 989 291	15 099 125

As of 01/01/13, the Bank had 10 major creditors (depositors) or related creditors (depositors) that are non-credit institutions with balances exceeding RUB 183 964 thousand (1/01/12: RUB 189 726 thousand). The Bank's total liabilities to these creditors (depositors) amounted to RUB 14 252 867 thousand, or 51,04% of the Bank's total liabilities (01/01/12: RUB 20 501 861 thousand or 58.84%).

As of 01/01/13, deposits of individuals in the amount of RUB 3 539 757 thousand are included in time deposits (01/01/12: RUB 3 491 830 thousand). In accordance with the Russian Civil Code, the Bank is obliged to repay time deposits of individuals upon demand of a depositor. In case a time deposit is repaid upon demand of a depositor prior to maturity, interest on it is to be paid based on the Bank's interest rate for demand deposits, unless a different interest rate is specified in the agreement.

2.1.10 Debt securities issued

Debt securities issued comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
Bonds	8 000 000	-
Total	8 000 000	-

In April 2012 the Bank issued interest-bearing documentary bonds series 3 for the total amount of RUB 5 bln. As at the placement date the bonds had the following characteristics:

maturity date – 13/04/15;
 nearest offer date – 25/04/15;
 coupon rate – 9,75% annually;
 frequency of coupon payments – 2 times a year.

In October 2012 the Bank issued interest-bearing documentary bonds series BO-01 for the total amount of RUB 3 bln. As at the placement date the bonds had the following characteristics:

maturity date – 25/10/15;
 nearest offer date – 25/04/14;
 coupon rate – 9,75% annually;
 frequency of coupon payments – 2 times a year.

2.1.11. Other liabilities

Other liabilities comprise:

	RUB thousand	
	As of 01/01/13	As of 01/01/12
<i>Accrued interest on current accounts and deposits of individuals</i>	111 853	43 548
<i>Amounts at suspense clearing account</i>	49 940	145 764
<i>Liabilities on other transactions</i>	29 869	49 214
<i>Interest payable</i>	206 582	395 968
<i>Accrued coupon on bonds issued</i>	154 800	0
<i>Settlements with creditors, including:</i>	296 095	297 559
Settlements on taxes and duties	77 754	19 537
Settlements with employees on wages	419	0
Settlements with employees in respect of accountable advances	3	0
Value added tax received	82 768	122 298
Payments to suppliers and customers	64 788	73 362
Settlements with non-residents on business transactions	65 133	67 469
Settlements with other creditors	5 230	14 893
<i>Deferred income on other operations</i>	224 482	470 128
<i>Provision on non-credit related commitments</i>	48 620	23 484
Total other liabilities	1 122 241	1 425 695

2.2. Risk concentration and management

The Bank applies modern methods to manage and control liquidity, solvency and risks in accordance with Russian and international standards, principles of the Basel Committee on Banking Supervision as well as rules and regulations established by the Bank of Russia. All risks are reviewed jointly and controlled in the context of all Bank's activities. Clearly

defined goals and objectives, mutual understanding, segregation of duties and control by management are fundamental elements of the risk management process. In the Bank this process includes the following: risk assessment, definition of risk management strategies, development and implementation of risk management procedures, monitoring the efficiency of risk management activity and constant development of all these elements.

2.2.1 Credit risk

The Bank controls credit risk by establishing limits per borrower or group of related borrowers as well as by controlling the maximum level of credit risk per market segment, industry, credit product, currency and duration of credit. The maximum level of credit risk by product and market segment is approved and regularly reviewed by the Credit Committee. Credit risk limits by borrower, concentration of large loans and limits per industry are approved by the Credit Committee. From February 2010, the level of credit risk assumed by the Bank per borrower or group of related borrowers should not exceed EUR 5 000 000 (or an equivalent amount). Decisions on the amounts in excess of the established limits are taken by the Executive Committee of the Bank's Board of Directors provided that formal recommendations are given by a responsible department of Intesa SanPaolo S.p.A.

The Bank established a credit policy stipulating that financing is provided only in case of compliance with the approved criteria. The Bank's regional offices are authorized to approve standard transactions on their own. All loans granted by regional branches in the amount exceeding the regional limit or having non-standard parameters are subject to approval of the Credit Committee of the Bank's central office. Risk management group responsible for continuous control of all aspects of the Bank's activity that expose the Bank to credit risk, performs regular assessment of the credit portfolio structure and monitors the credit risk for all issued loans, and develops measures to decrease the Bank's credit risk.

Information on credit quality of loans receivable is presented below:

		As of 01/01/13, thousand RUB	%	As of 01/01/12, thousand RUB	%
1	Interbank deposits				
	<i>Not past due</i>	11 365 638	100,0	13 938 032	100,0
	Total interbank deposits	11 365 638	100,0	13 938 032	100,0
2	Loans to customers				
	<i>Not past due</i>	51 186 130	88,84	59 142 582	86,03
	Past due for less than 30 days	384 339	0,67	357 905	0,52
	Past due from 31 to 90 days	297 145	0,52	211 678	0,31
	Past due from 91 to 180 days	315 616	0,55	357 147	0,52
	Past due more than 180 days	4 427 303	7,68	7 355 162	10,7
	<i>Total past due loans</i>	5 424 403	9,41	8 281 892	12,05
	Acquired demand rights	906 313	1,57	1 324 784	1,93
	<i>Not past due</i>	906 313	1,57	1 324 784	1,93
	Total loans to customers	57 616 846	100,0	68 749 258	100,0
	Total interbank deposits and loans to customers	68 882 484		82 687 290	

Information on the results of classification of loans receivable and similar debts by quality category and the amount of the estimated and actual provision is presented below:

	As of 01/01/13			As of 01/01/12		
	Amount	Estimated provision	Created provision	Amount	Estimated provision	Created provision
Risk category 1	26 378 958	–	–	36 424 867	–	–
Risk category 2	33 822 732	415 747	384 412	34 683 524	499 397	443 157
Risk category 3	1 884 960	411 081	130 488	3 040 645	960 965	337 264
Risk category 4	1 667 045	848 541	356 133	488 224	234 783	116 954
Risk category 5	5 128 789	5 112 129	4 928 373	8 050 030	7 847 517	7 615 503
Total	68 882 484	6 784 498	5 799 406	82 687 290	9 542 662	8 512 878

The information on the amount of reclassified and restructured loans to individuals and legal entities:

	As of 01/01/13			As of 01/01/12		
	Amount, RUB thousand	Percentage in total loans to customers, %	Created provision, RUB thousand	Amount, RUB thousand	Percentage in total loans to customers, %	Created provision, RUB thousand
Reclassified loans	5 788 411	8,4	30 563	8 764 374	10,6	31 887
Restructured loans	5 039 266	7,3	2 455 686	7 442 557	9,0	3 176 221

The loan is recognized as restructured if one or more of the essential terms of the original contract (based on a written agreement with the borrower) is changed, so that the borrower has a right to fulfill loan obligations under more favorable terms, including:

- extended terms of loan repayment;
- decrease in interest rate;
- increasing the loan;
- change in the repayment schedule.

The majority of loans to customers have monthly principal and interest repayments. As of 01/01/13, interest income accrued on loans on the balance sheet comprise 463 151 thousand (01/01/12: RUB 604 544 thousand) (for risk categories 1-3) and RUB 364 990 thousand ((01/01/12: RUB 877 059 thousand) on the off-balance sheet accounts (for risk categories 4-5).

2.2.2 Market risk.

The Bank's market risk management system includes:

- identifying risk factors for new products;
- calculating various risk parameters (risk exposure, the portfolio's sensitivity to changes in market indicators, etc.);
- measuring the fair value of financial instruments;
- establishing limits on transactions and open positions and monitoring them daily. Acceptable market risk exposures are established by the Board of Directors;
- developing new risk assessment models and methodologies, as well as interaction procedures between Bank's units when operating on the financial markets.

The goal of the department responsible for analyzing market risks is to optimize the ratio of profitability of the Bank's operations to market risk by diversifying the Bank's trading and banking portfolios and limiting positions sensitive to respective risk factors.

Currency risk.

Pursuant to instructions of the Central Bank of Russia, the Bank establishes for its branches limits and sublimits on the level of exposure by currency and in total as of the end of the day. The Bank's Treasury daily monitors the compliance with the established limits and sublimits, regulates the currency position and reports on it daily to the Bank's management.

Equity risk.

Equity risk arises due to unfavorable changes in the market prices of a financial instrument and derivative, driven by factors specific for a particular issuer or general fluctuations in market prices.

Financial market transactions exposed to market risk include currency and conversion transactions, forwards, share purchases, discounts to the market value of collateral.

Key methods of equity risk management and control include hedging, setting limits and capital management. Regulations on the procedures for such transactions and applicable techniques do not allow exceeding the established risk level.

In establishing the requirements for measuring and monitoring equity risk, the Bank is fully guided by instructions of the Bank of Russia and the guidelines of the Intesa Sanpaolo Group.

Interest rate risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank manages its interest rate risk by actively lending and borrowing under floating interest rates (LIBOR, MosPrime). The established interest rate risk assessment and monitoring requirements are in full compliance with the Intesa Sanpaolo Group's guidelines.

2.2.3 Liquidity risk.

The Bank has a system of liquidity stress-testing and forecasting which allows monitoring daily the Bank's assets, liabilities and cash flows, as well as predicting the Bank's financing requirements depending on the projected market conditions and business trends. The Bank regularly monitors and reviews the structure and liquidity parameters of its assets, and determines liquidity requirements based on the current market situation and the availability of alternative financing sources. Maintaining a high liquidity level is a priority for the Bank. The established liquidity parameters are in full compliance with the requirements of the Central Bank of Russia and the Intesa Sanpaolo Group's guidelines.

2.2.4 Operational risk.

Operational risk is defined as the risk of losses resulting from inadequacy or failure of internal procedures, human resources and systems, or from external events.

Operational risk management is based on identification, monitoring, assessment, mitigation and control of operational risks, as well as on ensuring their effective prevention in accordance with recommendations of the Bank of Russia and the Basel Committee on Banking Supervision, requirements of Intesa Sanpaolo Group and laws of the Russian Federation.

Operational risk identification and monitoring include collection and analysis of data on operational risk events, and analysis of all banking processes. All operational risk events are registered in a unified database, analyzed and regularly communicated to the Bank's management. The exposure of new and modified banking operations, products, processes or techniques to operational risk is also analyzed.

Operational risk assessment involves regular analysis of events or circumstances that cause risks (risk factors) and level of their control, as well as scenario analysis of operational risk events performed at all Bank divisions. The Bank also makes provisions for losses due to operational risk events.

Operational risk mitigation and control measures include measures aimed at preventing operational risk events. These measures are aimed to reduce the effect of events or circumstances that cause operational risk (risk factors), risk transfer (outsourcing), reducing (limiting) the amount of potential operating losses (insurance), and actions aimed to mitigate risk exposure implications and potential losses in case of operational risk events.

The Bank's measures aimed at minimizing risk factors include:

- establishing the Bank's organizational structure in compliance with the requirements of the Group and regulatory bodies;
- ensuring recruitment of a sufficient number of qualified employees, their continuous professional development and substitutability;
- compliance with the principles of segregation of duties and accountability on operations performed, effective cooperation and communication between employees; clear description of responsibilities of each employee;
- compliance with the requirements of current labor laws of the Russian Federation;
- correspondence of the Bank's employee benefits to the current market level and the Group's requirements;
- protecting personal confidential information of the Bank's employees;
- ensuring the appropriate working conditions for the Bank's employees;
- developing, bringing in compliance with the current laws of the Russian Federation and requirements of the Group, and other updating of the Bank's internal documents that stipulate rules and procedures for banking operations and other transactions in order to exclude (minimize) the impact of operational risk factors;
- regulating and approving (coordinating) any banking processes, operations and other transactions;
- control over the implementation and introduction of changes in any banking processes, operations and transactions;
- segregation of duties, operating and control activities;
- setting limits for banking operations and other transactions performed;
- compliance with accounting and reporting principles, regular reconciliation of supporting documents and accounts for banking operations and other transactions;
- using proven process solutions and implementing robust techniques, compliance of all systems (hardware and software) and their technical documents with the Group's requirements;
- testing software before its implementation;
- preventing unauthorized access to the Bank's information systems, compliance with the established procedure for gaining access to information;
- differentiating information access and authorization rights in the Bank's systems;
- identifying and preventing discrepancies in the Bank's systems;
- ensuring data safety and recoverability;
- ensuring physical and information security of the Bank's personnel, clients and assets;
- limiting access to valuable assets;
- compliance with the established procedure for gaining access to the Bank's tangible assets.

The Bank pays special attention to measures aimed to ensure in the ability of the Bank to continue as a going concern when conducting banking operations, including plans of actions to be taken in case of any emergencies (business continuity plans).

According to the Bank's management, the established risk management system allows avoiding any significant risk concentration and keeping the existing exposures under permanent control.

2.2.5 Legal risk.

The Bank pays special attention to managing legal risk associated with the risk of loss resulting from violations of regulations and agreements, legal errors committed in the course of banking activities, weaknesses of the legal system.

In performing its statutory activities, the Bank strictly complies with the current laws and by-laws. Legal risk management involves: monitoring of law making process and developments in laws and bylaws regulating the banking system, tax and financial laws; legal expertise of compliance of internal regulations and agreements entered into by the Bank with the current legislation, other regulations; regular analysis of results of legal settlement of claims with the participation of the Bank; analyzing arbitration court practice.

2.2.6 Risk of business reputation loss.

Reputation risk is a risk arising from deterioration of the public opinion related to the credit institution's financial stability, quality of its services or nature of its business in general resulting in loss of clients (counterparties).

The management assesses risk that the Bank may incur losses as a result of business reputation deterioration as minimal. The Bank controls and manages all aspects of this risk. Respective divisions are responsible for the following activities:

- control of compliance with the current legislation of the Russian Federation and standards for self-regulating organizations on the securities market;
- internal control over anti-money laundering and counter-terrorism financing actions in accordance with the rules agreed upon with the Operations Department of Moscow Main Territorial Branch of the Bank of Russia and the Federal Financial Markets Service;
- constant monitoring and management of financial risks (credit, market, currency, interest rate, liquidity risks), operational and legal risks;
- fulfillment of the Bank's obligations under agreements with counterparties;
- quality control of services rendered to the Bank's clients, monitoring clients' applications;
- control of compliance of the Bank's employees with professional ethics principles;
- monitoring mass media references to the Bank;
- maintaining information transparency by publishing financial statements, disclosing the necessary information, updating the Bank's web-site;
- analysis of the Bank's promotion activities (advertising products issue, advertising publications, etc.) having effect on its business reputation;
- availability of a crisis-management plan.

2.2.7 Strategic risk.

Strategic risk is a risk of losses which a credit institution may incur as result of mistakes (deficiencies) in making decisions defining the credit institution's business and development strategy (strategic management). Strategic risk is mitigated by careful consideration of management decisions based on the preliminary analysis of the current situation in the banking sector and its development prospects, risk levels, actions of the Bank's counterparties and competitors, demands of clients, possibilities to provide necessary staff, financing and technical support in order to implement the planned changes. Based on the assessment of the abovementioned parameters the Bank plans its product range, branch network development, quantitative and qualitative development indicators.

As of 01/01/13 and 01/01/13 the Bank is not involved in litigations which may have a significant effect on its financial and business operations.

The total amount of claims to the Bank, which have not been not settled as at 01/01/13, equaled to RUB 67 516 thousand. For some claims the provision is created – estimated non-credit related liabilities in amount of RUB 48 620 thousand. The Bank does not have significant contingent non credit-related liabilities.

The Bank operates under general banking license № 2216 issued by the Bank of Russia on 11 January 2010 for unlimited term (no renewal required).

2.3 Information on the credit institution's related party transactions

Information on groups of related parties is disclosed in accordance with Accounting Statement 11/2008, characteristics of related parties are determined in accordance with the legislation of the Russian Federation.

In the ordinary course of business the Bank enters into transactions with its shareholders and key management. These transactions include lending, deposit taking and other transactions. These transactions are priced at market rates.

As of 01/01/13 and 01/01/12, the parent of the Bank is Intesa Sanpaolo S.p.A. (Italy) owning a majority stake of 46.98%. Entities with significant influence are those having more than 20% stake in the Bank: Intesa Sanpaolo S.p.A. (Italy) and Intesa Sanpaolo Holding International S.A. (Luxembourg) (39.77% stake).

The Bank has a 100%-owned subsidiary, CJSC Intesa Leasing.

Other related parties include insiders, shareholders of the Bank not being entities with significant influence, but having more than 5% stake in the Bank, as well as organizations related to Intesa Sanpaolo S.p.A. (Italy).

RUB thousand

No	Item	As of 01/01/13					As of 01/01/12				
		Parent	Entities with significant influence	Subsidiaries	Key management personnel	Other related parties	Parent	Entities with significant influence	Subsidiaries	Key management personnel	Other related parties
I	Balance sheet amounts										
1.	Amounts in credit institutions	2 353 214	-	-	-	805	204 247	-	-	-	829
2.	Loans, including:	7 410 939	-	486 592	4 743	387 769	8 043 519	-	208 142	8 169	178 936
2.1	Past due debts	-	-	-	-	884	-	-	-	-	261
3	Provision for possible losses	-	-	-	-	4 328	-	-	-	-	11 500
4	Amounts due to customers and from credit institutions	523 297	8 609 632	34 361	14 610	19 483 381	2 448 236	15 099 126	27 445	7 429	31 515 501
5	Subordinated loans	167 050	379 659	-	-	-	177 079	402 451	-	-	-
6	Irrevocable commitments	-	-	-	281	9 661	-	-	-	-	9 410
7	Guarantees and sureties issued	-	-	-	-	-	-	-	-	-	-
II	Income and expense	For the year 2012					For the year 2011				
1	Total interest income, including:	47 599	-	30 069	685	11 797	8 975	-	18 258	977	30 542
1.1	Loans to customers	47 599	-	30 069	685	11 797	8 975	-	18 258	977	978
1.2	Investments in securities	-	-	-	-	-	-	-	-	-	20 564
2	Total interest expense	(15 241)	(522 319)	(322)	(2)	(1 355 168)	(19 221)	(603 604)	(2 424)	-	(1 587 399)
3	Net gains from foreign currency transactions	(35 832)	-	35	-	-	(427 167)	-	-	-	-
4	Fee and commission income	53 958	-	99	-	100	67 147	-	-	-	-
5	Fee and commission expense	(38 675)	-	-	-	(1 366)	(69 293)	-	-	-	(893)

2.4. Information on off-balance sheet liabilities of the term deals

RUB thousand

	As of 01/01/13			As of 01/01/12		
	Base for provision	Estimated provision	Actually created provision	Base for provision	Estimated provision	Actually created provision
<i>Liabilities, not grouped in homogenous portfolios</i>						
Unused credit lines	1 150 481	67 649	67 649	2 081 691	76 687	76 687
Letters of credit	401 425	309	309	312 363	10 533	10 533
Guarantees and sureties issued	5 705 487	221 737	6 615	6 121 337	69 759	4 243
Overdrafts	615 599	8 965	8 965	745 756	5 314	5 314
<i>Liabilities, grouped in homogenous portfolios</i>						
Unused credit lines	1 521 373	11 715	11 715	1 443 204	13 566	13 566
Guarantees and sureties issued	398 683	1 276	1 276	252 002	1 462	1 462
Overdrafts	1 237 412	9 977	9 977	1 054 682	8 765	8 765
Total	11 030 460	321 628	106 506	12 064 264	187 693	122 177

As of 01/01/13 deals on delivery of derivatives are reflected in the Section «Term deals» in accordance with the concluded agreements. The fair value is determined in accordance with the Accounting policy of the Bank . As at 01/01/13 the fair value is reflected on accounts for derivative financial instruments, for which the inflow of economic benefits is expected, and amounts to RUB 94 176 thousand. As of 01/01/12 the deals, for which the outflow of economic benefits was expected, amounted to RUB 53 229 thousand, and provision for impairment in amount of RUB 1 607 thousand was created.

2.6. Compensation to the key management personnel

The Bank's key management personnel includes: the members of the Board of directors and the Management Board and the Chairman of the Management Board.

The General Shareholders' Meeting is authorized to establish the principles and criteria for determining compensation of the members of the Board of Directors. The principles and criteria for determining compensation of the Chairman and members of the Bank's Management Board are established by the Board of Directors. The decision to pay compensation to the members of the Bank's Board of Directors for acting as members of the Board of Directors is made at the annual General Shareholders' Meeting. Compensations and benefits are paid in accordance with the agreements signed with the Chairman and members of the Bank's Management Board.

In 2012 the remuneration of key management personnel of the Bank includes short-term benefits to be paid during the period and 12 months after the balance sheet date in the amount of RUB 24 497 thousand (2011: RUB 34 866 thousand).

In 2012 the remuneration to the members of the Board of directors amounted to RUB 10 534 thousand (2011: RUB 10 349 thousand).

As of 01/01/13 the number of the Bank's employees was 1 874 (as of 01/01/12: 1 840).

2.7. Payment of dividends.

Bank will consider the possibility of dividend payout per 2012 year in accordance with established order. In 2012 the Bank paid dividends on shares for 2011 in the following amounts:

The name of the shareholder	Owned shares of the Bank, %	Shares, quantity	RUB thousand
Intesa Sanpaolo S.p.A	46,98	411 580	77 455
Intesa Sanpaolo Holding International S.A.(Luxembourg)	39,77	348 410	65 567
European Bank of Reconstruction and Development (EBRD) (Great Britain)	13,25	116 138	21 856
Total	100,00	876 128	164 878

2.8. Earnings per share

As of 01/01/13 and 01/01/12 the registered share capital of the Bank consists of 876,128 ordinary shares. Nominal value of one share is 12 350 rubles. Shareholders are entitled to receive dividends as declared and the right to vote (one share - one vote) at the annual and extraordinary general meetings of shareholders.

The profit for 2012 amounted to RUB 930 646 307,11 (2011: RUB 549 592 thousand). Basic earnings per share for 2012 amounted to RUB 1 062,22 (2011: RUB 627,30). The Bank does not calculate the diluted earnings per share as it does not have any convertible shares or contracts with diluted effect stipulated in Clause 9 of the "Methodological recommendations on the disclosure of information on earnings per share" (approved by Order № 29n of the Russian Ministry of Finance of the Russian Federation dated 21 March 2000).

III. Basis for preparation of the financial statements

Principles and methods for evaluating and accounting individual balance sheet items, which were applied in 2012

The Annual report has been prepared in accordance with the Bank of Russia Regulation № 2089-U of 8 October 2008 "Regulation for the preparation of the annual report by credit institutions" (with subsequent amendments) (hereinafter - the "Regulation № 2089-U").

These financial statements have been prepared pursuant to the requirements of the Bank of Russia Regulation № 302-P of 26 March 2007 "Accounting rules for maintaining accounting records in credit institutions of the Russian Federation" (with subsequent amendments) (hereinafter – "the Regulation № 302-P") and other by-laws.

The Bank's accounting policy provides for the following main principles and methods for accounting:

1. Assets are recognized at acquisition costs. Subsequently, assets are valued (revalued) at current (fair) value or assessed for impairment in accordance with regulations of the Bank of Russia:
 - Fixed assets are part of property with useful life exceeding 12 months, used for the provision of services, organization management and in cases, stipulated by sanitary, operating and other specific technical norms and requirements, with the cost exceeding RUB 40 000 for one item, net of value added tax. Fixed assets are recognized at acquisition cost.
 - Cost of fixed assets is determined based on actual acquisition costs plus costs to bring assets into use. Depreciation is calculated using the straight line method based on the term of useful life. The term of useful life is determined in accordance with the Act of Government of the Russian Federation №1 dated 01/01/02 "Classification of fixed assets, included into depreciated groups". For depreciated fixed assets let on financial lease, which are accounted on the balance sheet of the Bank, the term of useful life for accounting purposes is set equal to term of the lease contract. Fixed assets are not revalued.
 - Intangible assets are recognized at their actual (initial) costs, as determined on the date when they are recognized. The Bank determines useful life of all intangible assets, and calculates amortization based on this useful life. Intangible assets are amortized on a straight-line basis. The Bank does not perform the revaluation of intangible assets;
 - The Bank classifies securities into the following categories, depending on intention:
 - investments in securities measured at fair value through profit or loss;
 - investments in securities available-for-sale;
 - investments in securities held to maturity.
 - Investments in securities classified on initial recognition as securities at fair value through profit or loss are accounted at their current (fair) value. Investments in securities available-for-sale are accounted at their current (fair) value. If current (fair) value cannot be reliably determined, the securities of this category are presented at cost. If necessary, provision for possible losses is created. Debt securities that the Bank intends to hold to maturity are not revalued. If necessary, provision for possible losses is created. The Bank creates provisions for possible losses on debt securities that are not repaid on time.

The current fair value of securities is determined on a monthly basis at the end of each month or as of transaction date and in cases prescribed by the Bank's Accounting Policy. The securities classified on acquisition as securities measured at fair value through profit or loss and securities available-for-sale are revalued at current (fair) value based on a last bid price. The Bank establishes the valuation method of disposed (sold) securities at the initial cost of the first securities acquired (FIFO);

- The Bank accounts for the nominal value of claims and obligations on deliverable derivatives and term deals on the sale-purchase of financial assets in the form of securities, foreign currency and cash in roubles on the accounts of Section G "Term deals" of the balance sheet. Transactions are recognized as of transaction date till the first settlement date.

Claims and obligations are revalued based on the changes in the foreign currency official rates of the Bank of Russia and the current fair value of securities. Revaluation (unrealized revaluation) is accounted section G "Term deals". The Bank creates provision for possible losses on term deals that are not derivatives in accordance with Regulations of the Bank of Russia №. 283-P and the Bank's internal regulatory documents;
 - Issued credits (deposits) are presented at their initial amount as at the date when the funds are actually granted. Provision for possible losses on loans receivable and similar debt is created in accordance with the requirements of the Regulation of the Bank of Russia № 254-P dated 26 March 2004 "On the calculation of provision for possible losses on loans receivable and similar debt" (with subsequent amendments) (hereinafter "The Regulation of the Bank of Russia № 254-P") and the effective internal regulations.
 - Interest income on placed funds is recognized on a monthly basis, on the last business day of the month, and on the payment date set in the contract. The interest income certain to be received is recognized on accruals basis. Interest income that is not certain to be received is recognized on a cash basis. This certainty is based on the credit quality of the loan receivable and similar debt or the level of risk of possible losses on the relevant asset (claim): income is recognized as certain on loans, assets (claims) classified into I-III categories (the likelihood of income is unconditional and/or high); receipt of income is recognized as uncertain on loans, assets (claims) classified into IV and V categories (receipt of income is not expected).
2. Obligations are accounted based on the terms of the contract in order to ensure the control over their fulfilment. Obligations can be revalued at current (fair) value in cases prescribed by the regulatory documents of the Bank of Russia. The amounts of cash received (attracted) are recognized on the date when they are received:
- Cash received (attracted) in the currency of the Russian Federation is recognized in rubles in the actual amount, while cash in a foreign currency is recognised as the ruble equivalent based on the official exchange rate on the transaction date, with subsequent revaluation according to the established rules, except for accounts payable in the form of advances and prepayments, which are recognized as settlements with non-residents on business transactions. The interest on loans is accrued and expensed on a monthly basis, on the last business day of the month and on the interest payment date according to the contract;
 - Own securities issued (bonds) are accounted at their nominal value. Interest on issued bonds is accrued and expensed on a monthly basis, on the last business day of the month and on interest (coupon) payment date;
 - The Bank makes monthly advance income tax payments, with the amount of the advance payment adjusted based on the actual performance results of the reporting periods (1st quarter, 1st half year, first 9 months), and a final settlement based on the results for the calendar year. Settlements with the budget on income tax are only accounted on the balance sheet of the head office. Analytical accounts are opened in accordance with the breakdown by budgets and each structural division.
 - Income and expenses are recognized on an accruals basis, in accordance with the requirements of the Bank of Russia, other than the income, that is uncertain to be received, which is recognized on a cash basis. The accrual principle means that the financial results of operations (income and expenses) are recognized when transactions are performed, rather than when cash (cash equivalents) is received or paid. Analytical accounting is kept only in Russian rubles. Income and expenses are recognized as the ruble equivalent of the amounts in a relevant foreign currency at the official exchange rate as of the recognition date. Amounts received (collected) and intended for subsequent remittance in favor of third parties are not recognized as income. Costs and outflows that are recoverable are not recognized as expenses, but are accounted for as accounts receivable.
 - Accounts in foreign currencies are subject to revaluation on the basis of changes in official exchange rates established by the Bank of Russia, with the results recognized as income or expense on a daily basis. The revaluation of accounts in foreign currency is performed at the beginning of the operating day before any entries. The opening balance at the beginning of the day is subject to revaluation, except for advances received and paid and advance payments for delivery of goods and provision of services that are accounted as settlements with non-resident organizations for business transactions. Foreign exchange gains and losses arising as a result of currency conversion operations are recognized at the exchange rate in effect at the date of the operation. The date of the operation is the earlier of the date of delivery or the date of receipt of funds.

Significant changes in accounting policies

The Accounting policies for 2012 have been changed to reflect the amendments of Regulation of the Bank of Russia № 302-P, effective from 01/01/12:

- the term of property temporarily not used in main activities has been introduced.

This property is accounted on certain accounts within the property and equipment.

Criteria for the object held by the Bank (land, building, part of building) with the status of property temporarily not used in main activities:

- the object is held with the intention to receive a) lease payments, b) capital appreciation, c) lease payments and capital appreciation;
- the object is not intended for use in main activities of the Bank;
- the sale of object is not planned within 1 year from the date of classification as property temporarily not used in main activities;
- the value of object can be reliably estimated.

Property temporarily not used in main activities is accounted at cost less accumulated depreciation and impairment losses. The amount of impairment losses is determined based on IFRS 36 "Impairment of Assets". The impairment testing is performed at the beginning of each year.

- The procedure to determine fair value of derivative financial instruments (DFI) has been introduced.

The contract is considered to be a DFI if it complies with the requirements of the Federal Law № 39 "On securities market".

The date of initial recognition of a DFI is the date of a contract.

DFI are initially recognized at fair value. Fair value of DFI is the price that would be received from sale of a DFI, which is an asset, or to be paid for transfer (settlement) of DFI, which is a liability, in an arm's length transaction at the date when fair value is determined.

The analytical accounting is performed by types of DFI by each contract and DFI series traded at organized markets.

Changes in fair values are accounted at the last working day of the month, at the date when the Bank derecognize DFIs, or as claims or obligations to pay interim DFI payments are recognized according to the terms of a contract (deal).

Fair value of such instruments is determined in accordance with IFRS 39 «Financial instruments: recognition and measurement».

- Added section 3.13.1 "Non-credit contingent liabilities and provisions - estimated liabilities" to reflect the amendments in the Regulation of the Bank of Russia № 302-P effective from 4 April 2012.
- Added section 2.3. "The accounting policies of the consolidated group" according to amendments in Direction of the Bank of Russia dated 30/07/02 № 191-P "On the consolidated financial statements" effective from 03/05/12.

Information on the inventurisation of balance sheet items and accounts receivable and payable.

As at 01/01/13 and 01/01/12 the Bank performed an inventurisation of all cash items, valuables, fixed assets, intangible assets, inventories, capital investments, accounts receivable and payable, financial receivables and payables, i.e. forward receivables and payables, accounted on the balance sheet and off-balance sheet accounts.

The results of the inventurisation are as follows:

- As of 01/01/13, the balances on analytic accounts correspond to those on synthetic accounts;
- The actual availability of cash and valuables in the vaults of the Bank's branches as of the morning of 01/01/13 determined in the course of the conducted audit is in conformity with the accounting records;
- Surpluses, shortages, worn out fixed assets identified in the inventurisation of assets (fixed assets, intangibles assets, inventories and capital investments) at the Bank's business units were duly derecognized from the balance sheet in the reporting year;
- The balance on the account 47416 "Amounts at Suspense Clearing Account" in the amount of RUB 49 940 thousand consists of payments up to five days with incorrect beneficiary details (01/01/12: RUB 145 764 thousand);

- Accounts receivable carried forward to 2013 and accounted on 60312 "Trade accounts Receivable and Payable" were reconciled with the suppliers and contractors. The Bank's overdue trade receivables with regard to tangible assets, fully provided for against potential losses, amounted to RUB 225 thousand (01/01/12: RUB 234 thousand). Overdue receivables on services rendered to the Bank amounted to RUB 5 440 thousand (01/01/12: RUB 47 737 thousand). Overdue receivables on leasing payments amounted to RUB 624 936 thousand (01/01/12: RUB 410 970 thousand), including those with payments overdue by more than 180 days amounted to RUB 568 253 thousand;
- Accounts payable accounted on 60311 "Trade Accounts Receivable and Payable" and 60313 "Settlements with Non-resident Firms in Respect of Economic Operations" contain no overdue trade payables and consist mainly of advances for the purchase of assets for leasing operations, amounts due to service providers and other expenses accrued with regard to subsequent events.

Other material information characterizing the activities of the credit institution

In 2012, the Bank has carried out more than 20 transactions on cession of claims in respect of loans totaling RUB 3 238 773 thousand. These transactions on cession resulted in revenue of RUB 120 557 thousand. Expenses related to write-off of principal amounts, fees, penalties, state duties and income from recovery of provision are recognized in the profit or loss statement (published form).

Subsequent events

The Bank recorded the followings transactions as adjusting subsequent events:

- Transfer of balances recorded in account 706 "Current Year Financial Result" to account 707 "Prior Year Financial Result" as of 01/01/13;
- Adjustment of general and administrative expenses and other expenses, as well as other income, related to 2012 in the amount of RUB 63 044 thousand and RUB 153 thousand, accordingly;
- Additional charge of income tax for 2012 amounted to RUB 6 270 thousand;
- Adjustment of interest, commission and other income and expenses related to 2012 in the amount of RUB 661 thousand and RUB 4 199 thousand, accordingly;
- Transfer of balances recorded in account 707 "Prior Year Financial Result" to account 708 "Prior Year Profit (Loss)";
- The net effect from these transactions is the decrease of financial result by RUB 72 699 thousand.

There were no non-adjusting subsequent events materially affecting the Bank's financial position, assets and liabilities.

As of the date of the annual report, the Russian ruble depreciated against the US dollar and the euro as compared to the respective period of the previous year.

Information on cases when the Bank doesn't apply accounting rules if they don't allow to present fairly financial position and performance results of the Bank.

There were no cases when the Bank doesn't apply accounting rules if they don't allow to present fairly financial position and performance results of the Bank.

Information on changes in the Accounting policies for 2013

The changes made to the accounting policies of the Bank for 2013 mainly connected with the Regulation of the Bank of Russia № 385-P "On rules of accounting in credit institutions located in the territory of the Russian Federation» coming into force from 01/01/13.

Information on discontinued operations.

There were no discontinued operations in the reporting period.

Publication of explanatory note

Pursuant to CBR Instructive Regulation № 2172-U dated 20/01/09, "Concerning the Publication and Provision of Information regarding the Operation of Credit Organizations", a credit organization shall use discretion in making a decision whether and how the explanatory notes to the annual report should be published. The Bank's Management decided not to publish these explanatory notes as part of the annual report in the printed mass media. The complete

annual report comprising all reporting forms together with the explanatory notes will be placed on the web site (www.bancaintesa.ru), which the Bank uses for disclosures, after approval of the annual report by the general meeting of the Bank's shareholders.

O. Lein
Acting Chairman of the Management Board

T. Pavlycheva
Chief accountant

20 February 2013