

ZAO UniCredit Bank

**Consolidated Interim Condensed Financial Statements
for the Six-Month Period Ended 30 June 2012**

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Independent Auditors' Report on Review of the Consolidated Interim Condensed Financial Information

To the Shareholder and Supervisory Board

ZAO UniCredit Bank

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of ZAO UniCredit Bank as at 30 June 2012, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three and six-month periods then ended, and notes to the interim financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2012 and for the three and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG
31 July 2012

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<i>30 June 2012 Unaudited</i>	<i>31 December 2011</i>
Assets			
Cash and cash balances	5	11 128 676	24 491 991
Trading securities:	6		
- held by the Group		1 736 483	1 938 722
- pledged under repurchase agreements		2 125 985	-
Amounts due from credit institutions	7	177 207 637	200 143 375
Derivative financial assets	8	8 276 238	12 867 079
Derivative financial assets designated for hedging	8	4 868 093	3 776 683
Changes in fair value of portfolio hedged items		422 056	495 370
Loans to customers	9	482 503 967	472 698 094
Investment securities:			
- available-for-sale	10		
- held by the Group		27 671 984	43 575 124
- pledged under repurchase agreements		26 784 582	-
- held-to-maturity		311 669	311 662
Investments in associate		948 092	929 032
Fixed assets		6 505 771	6 583 910
Intangible assets		1 808 794	1 744 158
Other assets		2 782 863	2 421 714
Total assets		755 082 890	771 976 914
Liabilities			
Amounts due to credit institutions	12	189 640 503	165 826 669
Derivative financial liabilities	8	12 278 507	12 893 794
Derivative financial liabilities designated for hedging	8	7 195 043	7 273 366
Amounts due to customers	13	406 983 847	462 922 550
Debt securities issued	14	36 134 428	25 833 182
Deferred income tax liabilities		2 787 253	2 854 232
Current income tax liabilities		365 964	297 952
Other liabilities		5 662 563	5 767 025
Total liabilities		661 048 108	683 668 770
Equity			
Share capital		31 787 811	31 787 811
Share premium		437 281	437 281
Cash flow hedge reserve		(1 020 861)	(1 302 369)
Revaluation reserve for available-for-sale securities		6 473 909	7 596 368
Retained earnings		56 356 642	49 789 053
Total equity		94 034 782	88 308 144
Total equity and liabilities		755 082 890	771 976 914

Signed and authorised for release on behalf of the Board of Management

M. Alekseev

Chairman of the Board of Management

O. Goncharova

Chief Accountant

31 July 2012

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	<i>Three-Month Period Ended 30 June</i>		<i>Six-Month Period Ended 30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Interest income		12 295 747	8 822 224	24 206 458	17 460 031
Interest expense		(6 793 200)	(3 216 888)	(13 908 335)	(6 087 155)
Net interest income		5 502 547	5 605 336	10 298 123	11 372 876
Fee and commission income		1 351 332	1 115 516	2 530 188	2 130 715
Fee and commission expense		(175 918)	(145 154)	(329 136)	(273 341)
Net fee and commission income		1 175 414	970 362	2 201 052	1 857 374
Dividend income		59 478	4	59 478	4
Gains on financial assets and liabilities held for trading	16	1 002 125	492 556	2 267 001	1 045 669
Fair value adjustments in portfolio hedge accounting		5 519	–	8 232	–
(Losses) gains on disposal of:					
- loans		(23 982)	49 243	98 589	79 499
- available-for-sale financial assets		(794)	3 371 397	26 511	3 371 397
OPERATING INCOME		7 720 307	10 488 898	14 958 986	17 726 819
Impairment losses on:					
- loans	9	(697 173)	(1 211 406)	(1 246 711)	(2 484 991)
- other financial transactions		(7 373)	–	(7 373)	–
NET INCOME FROM FINANCIAL ACTIVITIES		7 015 761	9 277 492	13 704 902	15 241 828
Personnel expenses		(1 381 348)	(1 349 191)	(2 842 630)	(2 615 824)
Other administrative costs		(1 050 964)	(902 429)	(1 944 568)	(1 810 573)
Depreciation of fixed assets		(173 981)	(189 523)	(363 069)	(358 061)
Amortization of intangible assets		(111 679)	(77 994)	(213 503)	(149 669)
Other provisions		9 444	(762)	6 214	(2 011)
Net other operating (expense) / income		(30 321)	(10 428)	(21 527)	222 654
Operating costs		(2 738 849)	(2 530 327)	(5 379 083)	(4 713 484)
Share of gains of associate		11 150	29 469	19 060	21 001
(Losses) gains on disposal of fixed assets		(10 775)	1 839	(7 747)	992
PROFIT BEFORE INCOME TAX EXPENSE		4 277 287	6 778 473	8 337 132	10 550 337
Income tax expense	11	(926 638)	(1 389 587)	(1 769 543)	(2 162 819)
PROFIT FOR THE PERIOD		3 350 649	5 388 886	6 567 589	8 387 518
Other comprehensive income					
Cash flow hedge reserve - effective portion of changes in fair value		(133 722)	(948 891)	281 508	(1 042 519)
Revaluation reserve for available-for-sale securities - net change in fair value		(1 306 328)	7 690 014	(1 122 459)	7 856 473
Other comprehensive (loss) income for the period, net of tax	11	(1 440 050)	6 741 123	(840 951)	6 813 954
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1 910 599	12 130 009	5 726 638	15 201 472

The accompanying notes on pages 5 to 19 are an integral part of these consolidated interim condensed financial statements.

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i>	<i>Share premium</i>	<i>Cash flow hedge reserve</i>	<i>Revaluation reserve for available-for- sale securities</i>	<i>Retained earnings</i>	<i>Total equity</i>
1 January 2011	28 613 826	437 281	(675 847)	(50 339)	41 432 382	69 757 303
Total comprehensive income						
Profit for the period (Unaudited)	–	–	–	–	8 387 518	8 387 518
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	–	–	(1 042 519)	–	–	(1 042 519)
Net change in fair value of available- for-sale assets, net of tax (Unaudited)	–	–	–	7 856 473	–	7 856 473
Total other comprehensive income (Unaudited)	–	–	(1 042 519)	7 856 473	–	6 813 954
Total comprehensive income (Unaudited)	–	–	(1 042 519)	7 856 473	8 387 518	15 201 472
Dividends paid on ordinary shares (Unaudited)	–	–	–	–	(7 409 580)	(7 409 580)
30 June 2011	28 613 826	437 281	(1 718 366)	7 806 134	42 410 320	77 549 195
1 January 2012	31 787 811	437 281	(1 302 369)	7 596 368	49 789 053	88 308 144
Total comprehensive income						
Profit for the period (Unaudited)	–	–	–	–	6 567 589	6 567 589
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	–	–	281 508	–	–	281 508
Net change in fair value of available- for-sale assets, net of tax (Unaudited)	–	–	–	(1 122 459)	–	(1 122 459)
Total other comprehensive loss (Unaudited)	–	–	281 508	(1 122 459)	–	(840 951)
Total comprehensive income for the period (Unaudited)	–	–	281 508	(1 122 459)	6 567 589	5 726 638
30 June 2012	31 787 811	437 281	(1 020 861)	6 473 909	56 356 642	94 034 782

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>	<i>Six-Month Period Ended 30 June 2011 Unaudited</i>
<i>Note</i>		
Net cash (used in) from operating activities	(9 120 276)	21 372 346
Net cash used in investing activities	(13 227 567)	(25 824 252)
Net cash from (used in) financing activities	<u>8 984 528</u>	<u>(7 468 287)</u>
Net decrease in cash and cash balances	<u>(13 363 315)</u>	<u>(11 920 193)</u>
Cash and cash balances, beginning	<u>24 491 991</u>	<u>31 206 636</u>
Cash and cash balances, ending	5 <u><u>11 128 676</u></u>	<u><u>19 286 443</u></u>

1. Principal activities

These consolidated interim condensed financial statements include the financial statements of ZAO UniCredit Bank (hereinafter – the “Bank”), its subsidiary and associate. ZAO UniCredit Bank, its subsidiary and associate are hereinafter collectively referred to as the “Group”.

As at 30 June 2012 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredit Group, is responsible for the commercial banking in Central and Eastern Europe within the UniCredit Group.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

As at 30 June 2012 the Group comprises the Bank, the leading operating entity of the Group, CJSC Bank Sibir and LLC UniCredit Leasing Company, a leasing company.

The Bank (the former International Moscow Bank) was established as a closed joint stock company under the laws of the Russian Federation in 1989. The Bank operates under General Banking License No. 1 reissued by the Central Bank of Russia (hereinafter – the “CBR”) on 23 March 2012 as well as the CBR license for operations with precious metals issued on 20 December 2007. The Bank also possesses licenses for securities transactions and custody services from the Federal Service for the Securities Market issued on 25 April 2003, the license to act as an exchange broker on transactions with futures and options issued on 27 May 2008 and Russian Federal Customs Service permission to act as a guarantor in relation to customs authorities issued on 1 October 2010. ZAO UniCredit Bank is a member of the state deposit insurance system in the Russian Federation.

As at 30 June 2012 the Bank has 13 branches and 13 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank’s registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, operating results for the six-month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

2. Basis of preparation

Statement of compliance

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (hereinafter – “IAS 34”). They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

These consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value.

Presentation currency

These consolidated interim condensed financial statements are presented in Russian Roubles (hereinafter – “RUB”). Amounts in Russian Roubles are rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these consolidated interim condensed financial statements the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

3. Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2011.

Reclassifications

With effect from 31 March 2012, the Group presents the client related part of foreign currency exchange and derivative transactions within gain (losses) on financial assets and liabilities held for trading in the consolidated interim condensed statement of comprehensive income. The Group previously presented the client related part of foreign currency exchange and derivative transactions within fee and commission income in the consolidated interim condensed statement of comprehensive income for the six-month period ended 30 June 2011.

With effect from 30 June 2011, the Group presents the foreign currency exchange component related to loan impairment within gains (losses) on financial assets and liabilities held for trading in the consolidated interim condensed statement of comprehensive income. The Group previously presented the foreign currency exchange component related to loan impairment within loan impairment in the consolidated interim condensed statement of comprehensive income for the three-month period ended 31 March 2011.

The following reclassifications are made to the consolidated interim condensed statement of comprehensive income for the three-month and the six-month periods ended 30 June 2011 to conform to the 2012 presentation:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated interim condensed statement of comprehensive income for the three-month period ended 30 June 2011			
Fee and commission income	1 713 779	(598 263)	1 115 516
Impairment losses on loans	(1 214 042)	2 636	(1 211 406)
(Losses) gains on financial assets and liabilities held for trading	(103 071)	595 627	492 556
	As previously reported	Effect of reclassifications	As adjusted
Consolidated interim condensed statement of comprehensive income for the six-month period ended 30 June 2011			
Fee and commission income	3 185 159	(1 054 444)	2 130 715
(Losses) gains on financial assets and liabilities held for trading	(8 775)	1 054 444	1 045 669

4. Operating segments

For management purposes, the Group has three reporting business segments:

Corporate and Investment banking (hereinafter – “CIB”) – includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking – comprises private banking services, credit and debit card services, retail sight and term deposit services, retail lending (consumer loans, car loans and mortgages).

Other – represents the Group’s funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated interim condensed financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group’s funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Assets		
CIB	488 074 891	494 536 132
Retail banking	95 912 486	82 245 432
Other	171 095 513	195 195 350
Total assets	755 082 890	771 976 914
Liabilities		
CIB	407 132 732	403 622 397
Retail banking	89 907 211	88 303 350
Other	164 008 165	191 743 023
Total liabilities	661 048 108	683 668 770

4. Operating segments (continued)

Segment information for the operating segments for the three-month periods ended 30 June 2012 and 2011 is set out below (unaudited):

	<i>CIB</i>	<i>Retail Banking</i>	<i>Other</i>	<i>Total</i>
Net interest income (expense) from external customers for the three-month period ended 30 June 2012	3 812 791	2 596 987	(907 231)	5 502 547
Net interest income (expense) from external customers for the three-month period ended 30 June 2011	4 784 397	1 997 769	(1 176 830)	5 605 336
Inter-segment (expense) income for the three-month period ended 30 June 2012	(620 735)	(708 648)	1 329 383	–
Inter-segment (expense) income for the three-month period ended 30 June 2011	(1 437 730)	(582 307)	2 020 037	–
Net interest income for the three-month period ended 30 June 2012	3 192 056	1 888 339	422 152	5 502 547
Net interest income for the three-month period ended 30 June 2011	3 346 667	1 415 462	843 207	5 605 336
Net fee and commission income (expense) from external customers for the three-month period ended 30 June 2012	572 109	603 470	(165)	1 175 414
Net fee and commission income from external customers for the three-month period ended 30 June 2011	195 362	775 000	–	970 362
Dividend income for the three-month period ended 30 June 2012	–	–	59 478	59 478
Dividend income for the three-month period ended 30 June 2011	–	–	4	4
Gains (losses) on financial assets and liabilities held for trading for the three-month period ended 30 June 2012:				
- from external customers	865 599	136 530	(4)	1 002 125
Gains (losses) on financial assets and liabilities held for trading for the three-month period ended 30 June 2011:				
- from external customers	385 142	(230 384)	337 798	492 556
Fair value adjustments in portfolio hedge accounting for trading for the three-month period ended 30 June 2012	–	–	5 519	5 519
Losses on disposals of financial assets for the three-month period ended 30 June 2012	(24 775)	–	(1)	(24 776)
Gains on disposals of financial assets for the three-month period ended 30 June 2011	105 588	–	3 315 052	3 420 640
Operating income for the three-month period ended 30 June 2012	4 604 989	2 628 339	486 979	7 720 307
Operating income for the three-month period ended 30 June 2011	4 032 759	1 960 078	4 496 061	10 488 898

4. Operating segments (continued)	<i>CIB</i>	<i>Retail Banking</i>	<i>Other</i>	<i>Total</i>
Impairment losses for the three-month period ended 30 June 2012 on:				
- loans	(547 175)	(132 166)	(17 832)	(697 173)
- other financial transactions	(7 373)	–	–	(7 373)
Loan impairment (losses) recoveries for the three-month period ended 30 June 2011	(1 240 320)	28 914	–	(1 211 406)
Net income from financial activities for the three-month period ended 30 June 2012	4 050 441	2 496 173	469 147	7 015 761
Net income from financial activities for the three-month period ended 30 June 2011	2 792 439	1 988 992	4 496 061	9 277 492
Operating costs for the three-month period ended 30 June 2012	(841 128)	(1 800 634)	(97 087)	(2 738 849)
Operating costs for the three-month period ended 30 June 2011	(740 329)	(1 734 916)	(55 082)	(2 530 327)
Share of gains of associate for the three-month period ended 30 June 2012	–	–	11 150	11 150
Share of gains of associate for the three-month period ended 30 June 2011	–	–	29 469	29 469
Losses on disposal of fixed assets for the three-month period ended 30 June 2012	–	–	(10 775)	(10 775)
Gains on disposal of fixed assets for the three-month period ended 30 June 2011	–	–	1 839	1 839
Profit before income tax expense for the three-month period ended 30 June 2012	3 209 313	695 539	372 435	4 277 287
Profit before income tax expense for the three-month period ended 30 June 2011	2 052 110	254 076	4 472 287	6 778 473
Income tax expense for the three-month period ended 30 June 2012				(926 638)
Income tax expense for the three-month period ended 30 June 2011				(1 389 587)
Profit for the three-month period ended 30 June 2012				3 350 649
Profit for the three-month period ended 30 June 2011				5 388 886
Cash flow hedge reserve for the three-month period ended 30 June 2012				(133 722)
Cash flow hedge reserve for the three-month period ended 30 June 2011				(948 891)
Revaluation reserve for available-for-sale securities for the three-month period ended 30 June 2012				(1 306 328)
Revaluation reserve for available-for-sale securities for the three-month period ended 30 June 2011				7 690 014
Total comprehensive income for the three-month period ended 30 June 2012				1 910 599
Total comprehensive income for the three-month period ended 30 June 2011				12 130 009

4. Operating segments (continued)

Segment information for the operating segments for the six-month periods ended 30 June 2012 and 2011 is set out below (unaudited):

	<i>CIB</i>	<i>Retail Banking</i>	<i>Other</i>	<i>Total</i>
Net interest income (expense) from external customers for the six-month period ended 30 June 2012	7 697 488	4 979 270	(2 378 635)	10 298 123
Net interest income (expense) from external customers for the six-month period ended 30 June 2011	9 540 974	3 877 606	(2 045 704)	11 372 876
Inter-segment (expense) income for the six-month period ended 30 June 2012	(1 518 069)	(1 313 902)	2 831 971	–
Inter-segment (expense) income for the six-month period ended 30 June 2011	(2 591 564)	(1 103 173)	3 694 737	–
Net interest income for the six-month period ended 30 June 2012	6 179 419	3 665 368	453 336	10 298 123
Net interest income for the six-month period ended 30 June 2011	6 949 410	2 774 433	1 649 033	11 372 876
Net fee and commission income (expense) from external customers for the six-month period ended 30 June 2012	1 065 358	1 135 820	(126)	2 201 052
Net fee and commission income from external customers for the six-month period ended 30 June 2011	686 535	1 170 839	–	1 857 374
Dividend income for the six-month period ended 30 June 2012	–	–	59 478	59 478
Dividend income for the six-month period ended 30 June 2011	–	–	4	4
Gains on financial assets and liabilities held for trading for the six-month period ended 30 June 2012: - from external customers	2 008 803	256 718	1 480	2 267 001
Gains on financial assets and liabilities held for trading for the six-month period ended 30 June 2011: - from external customers	862 801	–	182 868	1 045 669
Fair value adjustments in portfolio hedge accounting for the six-month period ended 30 June 2012	–	–	8 232	8 232
Gains (losses) on disposals of financial assets for the six-month period ended 30 June 2012	125 101	–	(1)	125 100
Gains on disposals of financial assets for the six-month period ended 30 June 2011	135 844	–	3 315 052	3 450 896
Operating income for the six-month period ended 30 June 2012	9 378 681	5 057 906	522 399	14 958 986
Operating income for the six-month period ended 30 June 2011	8 634 590	3 945 272	5 146 957	17 726 819

ZAO UniCredit Bank
Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended 30 June 2012

(expressed in thousands of Russian Roubles)

4. Operating segments (continued)	<i>CIB</i>	<i>Retail Banking</i>	<i>Other</i>	<i>Total</i>
Loan impairment (losses) recoveries for the six-month period ended 30 June 2012				
- loans	(974 134)	(297 262)	24 685	(1 246 711)
- other financial transactions	(7 373)	-	-	(7 373)
Loan impairment losses for the six-month period ended 30 June 2011	(2 299 629)	(185 362)	-	(2 484 991)
Net income from financial activities for the six-month period ended 30 June 2012	8 397 174	4 760 644	547 084	13 704 902
Net income from financial activities for the six-month period ended 30 June 2011	6 334 961	3 759 910	5 146 957	15 241 828
Operating costs for the six-month period ended 30 June 2012	(1 670 031)	(3 540 873)	(168 179)	(5 379 083)
Operating (costs) income for the six-month period ended 30 June 2011	(1 464 149)	(3 388 332)	138 997	(4 713 484)
Share of gains of associate for the six-month period ended 30 June 2012	-	-	19 060	19 060
Share of gains of associate for the six-month period ended 30 June 2011	-	-	21 001	21 001
Losses on disposal of fixed assets for the six-month period ended 30 June 2012	-	-	(7 747)	(7 747)
Gains on disposal of fixed assets for the six-month period ended 30 June 2011	-	-	992	992
Profit before income tax expense for the six-month period ended 30 June 2012	6 727 143	1 219 771	390 218	8 337 132
Profit before income tax expense for the six-month period ended 30 June 2011	4 870 812	371 578	5 307 947	10 550 337
Income tax expense for the six-month period ended 30 June 2012				(1 769 543)
Income tax expense for the six-month period ended 30 June 2011				(2 162 819)
Profit for the six-month period ended 30 June 2012				6 567 589
Profit for the six-month period ended 30 June 2011				8 387 518
Cash flow hedge reserve for the six-month period ended 30 June 2012				281 508
Cash flow hedge reserve for the six-month period ended 30 June 2011				(1 042 519)
Revaluation reserve for available-for-sale securities for the six-month period ended 30 June 2012				(1 122 459)
Revaluation reserve for available-for-sale securities for the six-month period ended 30 June 2011				7 856 473
Total comprehensive income for the six-month period ended 30 June 2012				5 726 638
Total comprehensive income for the six-month period ended 30 June 2011				15 201 472

ZAO UniCredit Bank**Consolidated Interim Condensed Financial Statements for the Six-Month Period Ended 30 June 2012**

(expressed in thousands of Russian Roubles)

5. Cash and cash balances

Cash and cash balances comprise:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Cash on hand	7 292 812	7 696 175
Current accounts with the CBR	3 835 864	16 795 816
Cash and cash balances	11 128 676	24 491 991

Included in cash and cash balances as at 30 June 2012 is amount of RUB 1 100 000 thousand (31 December 2011: RUB 500 000 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (refer Note 14 for details).

6. Trading securities

Trading securities comprise:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
USD denominated		
Corporate bonds	195 356	84 555
Russian Government Eurobonds	3 678	3 450
RUB denominated		
Russian Government bonds	2 181 397	1 253 984
Corporate bonds	1 482 037	596 733
Trading securities	3 862 468	1 938 722

As at 30 June 2012 included in Russian Government bonds and corporate bonds are securities sold under repurchase agreements with CBR in the amount of RUB 2 125 985 thousand (31 December 2011: none).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Current accounts with credit institutions	8 564 637	8 524 623
Time deposits	158 204 723	161 892 332
Reverse repurchase agreements with credit institutions	2 973 256	20 890 670
Obligatory reserve with the CBR	7 465 021	8 835 750
Amounts due from credit institutions	177 207 637	200 143 375

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

As at 30 June 2012 there are two counterparties with balances that individually exceed 10% of equity. As at 30 June 2012 the aggregate amount of these balances is RUB 149 001 376 thousand (31 December 2011: two counterparties with aggregate balances of RUB 153 857 978 thousand).

As at 30 June 2012 the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are corporate bonds issued by Russian companies with the total fair value of RUB 3 125 178 thousand (31 December 2011: RUB 22 454 878 thousand).

8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are indicative of neither the market risk nor the credit risk.

The Bank values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

	<i>30 June 2012</i>			<i>31 December 2011</i>		
	<i>Notional principal</i>	<i>Fair value</i>		<i>Notional principal</i>	<i>Fair value</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Cross-currency interest rate swaps	103 324 798	3 093 390	5 495 143	100 384 731	5 258 181	4 061 327
Interest rate swaps	323 234 142	4 338 703	4 145 336	301 725 380	4 143 272	4 729 554
Foreign exchange forwards	79 654 029	844 145	2 638 028	177 093 920	3 465 626	4 102 913
Futures on foreign exchange and securities	2 845 000	—	—	8 060 000	—	—
Total derivative assets/liabilities		8 276 238	12 278 507		12 867 079	12 893 794

The table below shows the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts:

	<i>30 June 2012</i>			<i>31 December 2011</i>		
	<i>Notional principal</i>	<i>Fair value</i>		<i>Notional principal</i>	<i>Fair value</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Cash flow hedge						
Interest rate swaps	111 866 525	1 369 427	2 673	80 625 660	1 142 153	16 595
Cross-currency interest rate swaps	53 839 869	394 911	2 903 646	46 919 330	172 679	2 520 389
Total cash flow hedge		1 764 338	2 906 319		1 314 832	2 536 984
Fair value hedge						
Interest rate swaps	287 299 437	3 103 755	4 288 724	281 538 885	2 461 851	4 736 382
Total fair value hedge		3 103 755	4 288 724		2 461 851	4 736 382
Total derivative financial assets/liabilities designated for hedging		4 868 093	7 195 043		3 776 683	7 273 366

9. Loans to customers

Loans to customers comprise:

	<i>30 June 2012</i>	<i>31 December 2011</i>
	<i>Unaudited</i>	<i>2011</i>
Corporate customers	380 666 129	392 480 466
Retail customers	101 355 558	87 323 721
Reverse repurchase agreements with companies	15 675 381	8 122 974
Other	—	548 242
Gross loans to customers	497 697 068	488 475 403
Allowance for loan impairment	(15 193 101)	(15 777 309)
Loans to customers	482 503 967	472 698 094

9. Loans to customers (continued)

As at 30 June 2012 the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are corporate bonds issued by Russian companies with the total fair value of RUB 16 447 564 thousand (31 December 2011: RUB 8 597 773 thousand).

As at 30 June 2012 the Group has RUB 78 999 849 thousand due from the ten largest borrowers (16% of gross loan portfolio) (31 December 2011: RUB 79 549 149 thousand or 16%). An allowance of RUB 140 138 thousand is recognised against these loans (31 December 2011: RUB 105 541 thousand).

As at 30 June 2012 the Group has two borrowers with aggregate loan amounts that individually exceed 10% of equity. As at 30 June 2012 the aggregate amount of these loans is RUB 28 243 224 thousand (31 December 2011: two borrowers with aggregate balance of RUB 29 460 038 thousand).

Included in retail loans as at 30 June 2012 are mortgage loans of RUB 4 066 298 thousand (31 December 2011: RUB 5 147 035 thousand) pledged as collateral for mortgage-backed bonds issued by the Bank in September 2011 (refer Note 14 for details).

A reconciliation of the allowance for loan impairment is as follows:

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>	<i>Six-Month Period Ended 30 June 2011 Unaudited</i>
Allowance for loan impairment at the beginning of the period	15 777 309	15 315 288
Charge	1 246 711	2 484 991
Loans sold	(1 823 141)	(205 462)
Loans written-off	(7 789)	(153 083)
Effect of exchange rates changes	11	(385 144)
Allowance for loan impairment at the end of the period	15 193 101	17 056 590

10. Available-for-sale investment securities

Available-for-sale investment securities comprise:

	<i>30 June 2012 Unaudited</i>	<i>31 December 2011</i>
Debt and other fixed income investments available-for-sale		
USD denominated		
Corporate bonds	2 018 870	1 540 504
RUB denominated		
Russian Government Bonds	32 486 097	25 576 848
Corporate bonds	7 925 624	3 183 792
Total debt and other fixed income investments available-for-sale	42 430 591	30 301 144
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	12 023 449	13 272 949
EUR denominated		
Equity investments in financial institutions	2 526	1 031
Total equity investments available-for-sale	12 025 975	13 273 980
Total available for sale investment securities	54 456 566	43 575 124

As at 30 June 2012 included in Russian Government bonds and corporate bonds are securities blocked as collateral for "overnight" loans with the CBR in the amount of RUB 13 528 828 thousand (31 December 2011: RUB 18 460 096 thousand).

As at 30 June 2012 included in corporate bonds are securities sold under repurchase agreements with CBR in the amount of RUB 26 784 582 thousand (31 December 2011: none).

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(expressed in thousands of Russian Roubles)

11. Taxation

The corporate income tax expense comprises:

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>	<i>Six-Month Period Ended 30 June 2011 Unaudited</i>
Current tax charge	1 626 231	1 038 454
Deferred tax charge – origination of temporary differences	143 312	1 124 365
Income tax expense	1 769 543	2 162 819

Tax effect relating to components of other comprehensive income comprises:

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>			<i>Six-Month Period Ended 30 June 2011 Unaudited</i>		
	<i>Amount before tax</i>	<i>Tax expense</i>	<i>Amount net-of-tax</i>	<i>Amount before tax</i>	<i>Tax expense</i>	<i>Amount net-of-tax</i>
Cash flow hedge reserve	351 884	(70 376)	281 508	(1 303 148)	260 629	(1 042 519)
Revaluation reserve for available-for-sale securities	(1 403 074)	280 615	(1 122 459)	9 820 591	(1 964 118)	7 856 473
Other comprehensive income	(1 051 190)	210 239	(840 951)	8 517 443	(1 703 489)	6 813 954

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2012 Unaudited</i>	<i>31 December 2011</i>
Current accounts	6 806 978	5 526 661
Time deposits and loans	137 976 635	142 646 788
Repurchase agreements with credit institutions	27 975 725	–
Subordinated debt	16 881 165	17 653 220
Amounts due to credit institutions	189 640 503	165 826 669

As at 30 June 2012 the ten largest deposits (excluding subordinated debt) represent 85% of total amounts due to credit institutions (31 December 2011: 94%).

As at 30 June 2012 the Group has three counterparties with aggregate balances that individually exceed 10% of equity. As at 30 June 2012 the aggregate amount of these balances (excluding subordinated debt) is RUB 124 254 882 thousand (31 December 2011: two counterparties with aggregate balance of RUB 105 970 692 thousand).

As at 30 June 2012 the Group has term deposits with the CBR in the amount of RUB 19 038 798 thousand and repurchase agreements with the CBR in the amount of RUB 27 975 725 thousand (31 December 2011: none).

13. Amounts due to customers

The amounts due to customers include the following:

	<i>30 June 2012 Unaudited</i>	<i>31 December 2011</i>
Current accounts	98 866 603	83 133 578
Time deposits	308 117 244	379 574 924
Subordinated debt	–	214 048
Amounts due to customers	406 983 847	462 922 550

13. Amounts due to customers (continued)

As at 30 June 2012 approximately 52% of total amounts due to customers is placed with the Group by its ten largest customers (31 December 2011: 62%).

Analysis of customer accounts by type of customer is as follows:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Corporate		
Current accounts	41 060 601	25 898 985
Time deposits	276 364 327	353 854 069
Subordinated debt	–	214 048
Total corporate accounts	317 424 928	379 967 102
Retail		
Current accounts	57 806 002	57 234 593
Time deposits	31 752 917	25 720 855
Total retail accounts	89 558 919	82 955 448
Amounts due to customers	406 983 847	462 922 550

Included in retail time deposits are deposits of individuals in the amount of RUB 21 346 793 thousand (31 December 2011: RUB 17 522 930 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. The remaining part of retail time deposits in the amount of RUB 10 406 124 thousand (31 December 2011: RUB 8 197 925 thousand) is represented by deposits placed by small business enterprises.

14. Debt securities issued

Debt securities issued consists of the following:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Bonds issued	35 593 847	25 320 325
Promissory notes	540 581	512 857
Debt securities issued	36 134 428	25 833 182

On 2 March 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 8.5% for the first three semi-annual periods. In August 2013 the coupon rate will be set for the remaining three semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the third semi-annual period.

On 7 March 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 8.5% for the first three semi-annual periods. In September 2013 the coupon rate will be set for the remaining three semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the third semi-annual period.

As at 30 June 2012 mortgage-backed bonds with the carrying value of RUB 5 120 745 thousand (31 December 2011: RUB 5 121 315 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 4 066 298 thousand (31 December 2011: RUB 5 147 035 thousand) and by cash in the amount of RUB 1 100 000 thousand (31 December 2011: RUB 500 000 thousand) (refer to Note 5 and Note 9 for details).

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(expressed in thousands of Russian Roubles)

15. Commitments and contingencies

	<i>30 June 2012</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>
Undrawn loan commitments	165 684 376	147 427 274
Guarantees issued	91 536 542	65 018 063
Letters of credit	15 609 382	15 646 415
Gross undrawn commitments, guarantees and letters of credit	272 830 300	228 091 752
Provisions for unrecognised commitments	(6 894)	–
Total undrawn commitments, guarantees and letters of credit	272 823 406	228 091 752

16. Losses on financial assets and liabilities held for trading

(Losses) gains on financial assets and liabilities held for trading comprise:

	<i>Three-Month Period</i> <i>Ended 30 June</i>		<i>Six-Month Period</i> <i>Ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Net (losses) gains from trading securities	(117 901)	(10 282)	(76 928)	165 698
Net (losses) gains from foreign exchange, interest based derivatives and changes in fair value of money market deposits:				
- spot, derivative and money market deposits trading	(8 005 566)	(640 081)	(709 320)	783 430
- translation of other foreign currency assets and liabilities	9 125 592	1 142 919	3 053 249	96 541
Gains on financial assets and liabilities held for trading	1 002 125	492 556	2 267 001	1 045 669

17. Related party disclosures

The Bank's ultimate parent is the UniCredit Group with the leading operating entity being UniCredit S.p.A. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities produce publicly available financial statements.

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and more senior parents within the UniCredit Group are as follows:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>Average</i> <i>interest rate, %</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>	<i>Average</i> <i>interest rate, %</i>
Amounts due from credit institutions				
- In Russian Roubles	3 026 040	6.9%	7 313 510	6.8%
- In EUR	109 242 029	2.6%	143 482 611	2.8%
- In USD	36 733 307	0.3%	3 061 857	0.4%
Other assets	25 931		85 450	
Amounts due to credit institutions				
- In Russian Roubles	13 241 616	8.0%	23 736 953	7.3%
- In EUR	8 358 890	3.1%	37 592 789	2.0%
- In USD	46 273 323	1.9%	25 684 219	2.0%
Debt securities issued	1 004 180	9.0%	1 004 192	9.0%
Other liabilities	138 859		94 216	

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(expressed in thousands of Russian Roubles)

17. Related party disclosures (continued)

	<i>30 June 2012</i> <i>Unaudited</i>	<i>Average</i> <i>interest rate, %</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>	<i>Average</i> <i>interest rate, %</i>
Commitments and guarantees issued	2 205 497		2 276 613	
Commitments and guarantees received	1 130 693		1 189 686	

	<i>Six-Month</i> <i>Period Ended</i> <i>30 June 2012</i> <i>Unaudited</i>	<i>Six-Month</i> <i>Period Ended</i> <i>30 June 2011</i> <i>Unaudited</i>
Interest income	1 758 009	52 888
Interest expense	(1 537 739)	(1 348 716)
Fee and commission income	5 204	5 269
Fee and commission expense	(8 576)	(9 828)
Gains on financial assets and liabilities held for trading	26 576	538 220
Salaries and benefits	(14 188)	(5 981)

Balances and transactions with other companies controlled by the UniCredit Group are as follows:

	<i>30 June 2012</i> <i>Unaudited</i>	<i>Average</i> <i>interest rate, %</i> <i>Unaudited</i>	<i>31 December</i> <i>2011</i>	<i>Average</i> <i>interest rate, %</i>
Amounts due from credit institutions				
- In Russian Roubles	1 225 186	5.6%	–	
- In EUR	346 796	0.0%	567 409	0.0%
- In USD	50 598	0.0%	–	0.0%
- In other currencies	54 584	0.0%	20 129	0.0%
Derivative financial assets	2 118 904		3 537 856	
Derivative financial assets designated for hedging	3 813 794		3 573 532	
Loans to customers				
- In Russian Roubles	–		600 216	6.6%
Other assets	619 126		626 152	
Amounts due to credit institutions				
- In Russian Roubles	723 686	0.0%	821 587	0.0%
- In EUR	146 509	2.8%	602 489	3.3%
- In USD	6 619 897	2.5%	5 824 153	2.4%
Derivative financial liabilities	5 852 193		5 023 326	
Derivative financial liabilities designated for hedging	6 019 687		5 904 556	
Amounts due to customers				
- In Russian Roubles	474 935	1.9%	519 989	2.2%
- In EUR	303 507	0.9%	251 961	1.6%
- In USD	350 457	1.3%	486 478	1.2%
Debt securities issued	3 873 785	7.0%	3 873 877	7.0%
Other liabilities	85 392		69 221	
Commitments and guarantees issued	15 708 856		16 267 095	
Commitments and guarantees received	2 127 843		1 356 662	

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17. Related party disclosure (continued)

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>	<i>Six-Month Period Ended 30 June 2011 Unaudited</i>
Interest income	2 757 017	1 135 884
Interest expense	(1 946 169)	(909 244)
Fee and commission income	13 476	12 864
Fee and commission expense	(8 820)	(4 186)
Losses (gains) on financial assets and liabilities held for trading	(773 736)	4 716 117
Other income	147	153
Salaries and benefits	(35 470)	(21 267)
Other administrative costs	(9 443)	(5 667)

Subordinated loans from the members of the UniCredit Group included in amounts due to credit institutions are as follows:

	<i>Six-Month Period Ended 30 June 2012 Unaudited</i>		<i>Six-Month Period Ended 30 June 2011 Unaudited</i>	
	<i>UniCredit Bank Austria AG and more senior parents within the UniCredit Group</i>	<i>Other companies controlled by the UniCredit Group</i>	<i>UniCredit Bank Austria AG and more senior parents within the UniCredit Group</i>	<i>Other companies controlled by the UniCredit Group</i>
Subordinated debt at the beginning of the period	14 214 639	2 582 390	13 621 564	2 444 330
Accrual of interest, net of interest paid	(14 624)	54	6 691	(887)
Effect of exchange rates changes	39 098	59 608	(421 418)	(192 088)
Subordinated debt at the end of the period	14 239 113	2 642 052	13 206 837	2 251 355

For the six-month period ended 30 June 2012 compensation of the key management personnel comprises remuneration in the amount of RUB 56 560 thousand (six-month period ended 30 June 2011: RUB 40 349 thousand) and post-employment benefits in the amount of RUB 573 thousand (six-month period ended 30 June 2011: RUB 595 thousand).

As at 30 June 2012 there are no loans to key management personnel (31 December 2011: RUB 7 710 thousand).