

# **Open Joint-Stock Company “NOMOS-BANK”**

**Condensed Interim Consolidated  
Financial Statements (Unaudited)**  
For the Nine Months Ended 30 September 2011

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# OPEN JOINT-STOCK COMPANY "NOMOS-BANK"

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

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Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 30 September 2011 and the consolidated results of its operations for the nine and three months ended 30 September 2011 and the consolidated cash flows and consolidated changes in shareholders' equity for the nine months then ended, in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*.

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation ("RF") legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the nine months ended 30 September 2011 were authorized for issue by the Supervisory Board of the Bank on 30 November 2011.

**On behalf of the Supervisory Board**

  
\_\_\_\_\_  
**President**

30 November 2011  
Moscow

  
\_\_\_\_\_  
**Chief Accountant**

30 November 2011  
Moscow

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: Shareholders and the Supervisory Board of Open Joint-Stock Company "NOMOS-BANK":

### *Introduction*

We have reviewed the accompanying condensed interim consolidated statement of financial position of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group") as at 30 September 2011, the condensed interim consolidated income statements, the condensed interim consolidated statements of comprehensive income, for the three and nine months ended 30 September 2011, the condensed interim consolidated statement of changes in equity and the condensed interim consolidated statement of cash flows for the nine months ended 30 September 2011, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated 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 condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects, in accordance with IAS 34.

*Deloitte & Touche*


30 November 2011  
Moscow

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Notes	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
Interest income	5,24	37,309	13,008	21,688	7,009
Interest expense	5,24	(17,151)	(5,799)	(11,286)	(3,275)
<b>NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	5	<b>20,158</b>	<b>7,209</b>	<b>10,402</b>	<b>3,734</b>
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	3,24	3,990	1,342	-	-
Provision for impairment losses on interest bearing assets	12,14, 24	(6,431)	(2,228)	(3,579)	(1,368)
<b>NET INTEREST INCOME</b>		<b>17,717</b>	<b>6,323</b>	<b>6,823</b>	<b>2,366</b>
Trading (loss)/income:	6,24	(604)	(2,640)	2,474	626
Securities		(2,301)	(2,739)	1,607	351
Foreign currency		1,162	(118)	711	117
Precious metals		558	302	265	186
Other derivatives		(23)	(85)	(109)	(28)
Net fee and commission income	7,24	4,246	1,645	1,424	529
Fee and commission income	7,24	5,588	2,185	1,680	628
Fee and commission expense	7,24	(1,342)	(540)	(256)	(99)
Net loss on investments available-for-sale		(95)	(221)	(1)	(195)
Net gain on investments held to maturity		7	7	-	-
Net gain/(loss) on disposal of loans	12	112	(8)	1,019	302
(Provision)/ recovery of provision for impairment losses on other transactions		(278)	(104)	256	439
Impairment of investments available for sale	13	(51)	(1)	(15)	(4)
(Loss)/gain from revaluation of investment property		(202)	(36)	(98)	13
Other income	24	472	147	555	216
<b>NET NON-INTEREST INCOME</b>		<b>3,607</b>	<b>(1,211)</b>	<b>5,614</b>	<b>1,926</b>
<b>OPERATING INCOME</b>		<b>21,324</b>	<b>5,112</b>	<b>12,437</b>	<b>4,292</b>
OPERATING EXPENSES	8,24	(12,486)	(4,100)	(5,526)	(1,972)
<b>OPERATING PROFIT BEFORE INCOME TAX</b>		<b>8,838</b>	<b>1,012</b>	<b>6,911</b>	<b>2,320</b>
Income tax expense		(1,891)	(244)	(1,444)	(566)
<b>NET PROFIT</b>		<b>6,947</b>	<b>768</b>	<b>5,467</b>	<b>1,754</b>
Attributable to:					
Equity holders of the parent		5,817	713	5,443	1,744
Non-controlling interest		1,130	55	24	10
<b>EARNINGS PER SHARE</b> <b>attributable to equity holders of the parent, basic</b> <b>and diluted, in Roubles</b>	9	<b>64.99</b>	<b>7.71</b>	<b>66.39</b>	<b>21.27</b>

On behalf of the Supervisory Board

  
 \_\_\_\_\_  
 President

  
 \_\_\_\_\_  
 Chief Accountant

30 November 2011  
 Moscow


30 November 2011  
 Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*

Notes	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
<b>NET PROFIT</b>	<b>6,947</b>	<b>768</b>	<b>5,467</b>	<b>1,754</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Net change in fair value of investments available-for-sale reserve	(355)	(401)	(4)	(2)
Income tax effect	71	80	1	-
<b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>(284)</b>	<b>(321)</b>	<b>(3)</b>	<b>(2)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,663</b>	<b>447</b>	<b>5,464</b>	<b>1,752</b>
Attributable to:				
Equity holders of the parent	5,667	540	5,440	1,742
Non-controlling interest	996	(93)	24	10

**On behalf of the Supervisory Board**

  
 \_\_\_\_\_  
**President**

30 November 2011  
 Moscow

  
 \_\_\_\_\_  
**Chief Accountant**


30 November 2011  
 Moscow

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*


	Notes	30 September 2011	31 December 2010
<b>ASSETS</b>			
Cash and balances with the Central Bank of the Russian Federation		22,239	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation		5,710	2,817
Precious metals		6,435	4,677
Financial assets at fair value through profit or loss	10,24	73,018	55,522
Loans and advances to banks and other financial institutions	11,24	50,933	41,577
Loans to customers	12,24	454,685	339,302
Investments available-for-sale	13,24	9,830	25,763
Investments held to maturity	14	560	852
Property, plant and equipment		10,865	10,976
Goodwill		598	598
Intangible assets		2,973	2,602
Other assets	24	6,390	5,042
<b>TOTAL ASSETS</b>		<b>644,236</b>	<b>530,217</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Financial liabilities at fair value through profit or loss	24	9,328	1,005
Due to banks and the Central Bank of the Russian Federation	15,24	120,993	59,839
Customer accounts	16,24	348,161	313,376
Bonds and Eurobonds	17	36,331	34,412
Promissory notes issued		22,693	33,168
Deferred income tax liabilities		996	1,182
Other liabilities	24	3,930	2,209
Subordinated debt	18,24	31,741	27,091
<b>TOTAL LIABILITIES</b>		<b>574,173</b>	<b>472,282</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the parent:			
Share capital	19	6,504	6,225
Preference treasury shares	19	(605)	(484)
Share premium	19	20,898	15,859
Property, plant and equipment revaluation reserve		717	717
Revaluation of investments available-for-sale		(144)	6
Retained earnings		30,287	24,560
Total equity attributable to equity holders of the parent		57,657	46,883
Non-controlling interest		12,406	11,052
<b>Total equity</b>		<b>70,063</b>	<b>57,935</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>644,236</b>	<b>530,217</b>

On behalf of the Supervisory Board

  
 \_\_\_\_\_  
**President**

30 November 2011

Moscow

  
 \_\_\_\_\_  
**Chief Accountant**

30 November 2011

Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)  
(in million of Russian Roubles)

Note	Share capital	Preference treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
<b>31 December 2009</b>	<b>5,982</b>	-	<b>12,603</b>	<b>592</b>	<b>6</b>	<b>17,388</b>	<b>36,571</b>	<b>41</b>	<b>36,612</b>
Net profit for the period (unaudited)	-	-	-	-	-	5,443	5,443	24	5,467
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(3)	-	(3)	-	(3)
Effect of change in ownership interest in subsidiaries (unaudited)	-	-	-	-	-	(27)	(27)	109	82
<b>30 September 2010 (unaudited)</b>	<b>5,982</b>	-	<b>12,603</b>	<b>592</b>	<b>3</b>	<b>22,804</b>	<b>41,984</b>	<b>174</b>	<b>42,158</b>
<b>31 December 2010</b>	<b>6,225</b>	<b>(484)</b>	<b>15,859</b>	<b>717</b>	<b>6</b>	<b>24,560</b>	<b>46,883</b>	<b>11,052</b>	<b>57,935</b>
Net profit for the period (unaudited)	-	-	-	-	-	5,817	5,817	1,130	6,947
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(150)	-	(150)	(134)	(284)
Share capital increase (issue of ordinary shares) (unaudited)	19 279	-	5,039	-	-	-	5,318	-	5,318
Purchase of treasury shares (unaudited)	19 -	(121)	-	-	-	(40)	(161)	-	(161)
Effect of change in ownership interest in subsidiaries (unaudited)	-	-	-	-	-	(50)	(50)	(3)	(53)
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	361	361
<b>30 September 2011 (unaudited)</b>	<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>717</b>	<b>(144)</b>	<b>30,287</b>	<b>57,657</b>	<b>12,406</b>	<b>70,063</b>

On behalf of the Supervisory Board


  
\_\_\_\_\_  
President
30 November 2011  
Moscow

  
\_\_\_\_\_  
Chief Accountant
30 November 2011  
Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.



**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Note	Nine months ended 30 September 2011	Nine months ended 30 September 2010 (restated)
<b>Cash flows from operating activities:</b>			
Interest received		34,675	19,728
Interest paid		(13,989)	(11,265)
Cash received from prepayment of loans acquired in business combination in excess of carrying value	3	2,038	-
Cash received on dealing with securities		3,426	1,461
Cash received/(paid) on dealing with precious metals		1,528	(377)
Cash received on dealing with foreign currencies		1,806	128
Cash paid on dealing with other derivatives		(133)	(170)
Fees and commissions received		5,572	1,680
Fees and commissions paid		(1,229)	(225)
Other operating income received		419	540
Operating expenses paid		(10,884)	(5,007)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>23,229</b>	<b>6,463</b>
<b>Cash Increase/(decrease) from operating assets and liabilities</b>			
Minimum reserve deposits with the Central Bank of the Russian Federation		(2,893)	(216)
Precious metals		(831)	431
Financial assets and liabilities at fair value through profit or loss		(18,926)	13,816
Loans and advances to banks and other financial institutions		736	(8,756)
Loans to customers		(108,615)	(30,190)
Other assets		(3,548)	163
Due to banks and the Central Bank of the Russian Federation		58,760	(9,124)
Customer accounts		30,065	30,417
Bonds and Eurobonds, net		4,070	3,774
Promissory notes (redeemed)/issued, net		(10,766)	5,320
Other liabilities		710	671
<b>Net cash (used in)/from operating activities before income tax</b>		<b>(28,009)</b>	<b>12,768</b>
Income taxes paid		(2,014)	(1,291)
<b>Net cash (used in)/from operating activities</b>		<b>(30,023)</b>	<b>11,478</b>
<b>Cash flows from investing activities:</b>			
Proceeds on investments held to maturity repayment		339	-
Acquisition of subsidiaries net of cash acquired	4	(323)	-
Purchase of property, plant and equipment		(623)	(318)
Proceeds from sale of plant and equipment		231	106
Purchase of intangible assets		(304)	(61)
Purchase of available-for-sale financial assets		(9,504)	(1,200)
Proceeds from sale of available-for-sale financial assets		25,065	-
Dividends received		27	-
Proceeds from sale of non-current assets held-for-sale		2	-
<b>Net cash from/(used in) investing activities</b>		<b>14,910</b>	<b>(1,472)</b>
<b>Cash flows from financing activities:</b>			
Issuance of shares	19	279	-
Share premium	19	5,039	-
Purchase of treasury shares	19	(161)	-
Redemption of bonds and Eurobonds		(3,339)	(10,232)
Subordinated debt received		6,000	10,953
Subordinated debt repaid		(2,625)	(12,863)
Disposal of interests in subsidiaries		-	193
Acquisition of additional interests in subsidiaries		(50)	(111)
<b>Net cash used in financing activities</b>		<b>5,143</b>	<b>(12,060)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>181</b>	<b>(43)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(9,789)</b>	<b>(2,097)</b>
Cash and cash equivalents, beginning of the period		55,260	27,452
<b>Cash and cash equivalents, ending of the period</b>		<b>45,471</b>	<b>25,355</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*


During the reporting period ended 30 September 2011 the Group obtained non-cash settlement for the uncollectible loans to customers, previously originated and net assets acquired and purchase adjustments in bank acquisition. These non-cash settlements were excluded from the condensed interim consolidated cash flows and presented separately below:

	Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010
<b>NON-CASH TRANSACTION:</b>			
Loans to customers settled by means of collateral repossession	12	(1,822)	(144)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Investment property	12	1,257	-
Property received as a collateral	12	565	144
Net assets acquired and purchase adjustments in bank acquisition		746	-

For the purpose of cash flow statement preparation condensed interim consolidated cash flows cash and cash equivalents comprise of the following components:

	30 September 2011	30 September 2010
<b>Cash and cash equivalents:</b>		
Cash and balances with the Central Bank of the Russian Federation	22,239	14,724
Correspondent accounts with banks	23,232	10,631
<b>Total cash and cash equivalents</b>	<b>45,471</b>	<b>25, 355</b>

**On behalf of the Supervisory Board**

  
 \_\_\_\_\_  
**President**

30 November 2011  
 Moscow

  
 \_\_\_\_\_  
**Chief Accountant**

30 November 2011  
 Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)**  
*(in million of Russian Roubles)*

**1. ORGANISATION**

OJSC "NOMOS-BANK" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 30 September 2011 the Bank had 43 branches operating in the Russian Federation, 1 representative office in the Russian Federation and 1 representative office abroad.

The accompanying condensed interim consolidated financial statements comprise the accounts of Open Joint Stock Company "NOMOS-BANK" and its subsidiaries (together the "Group"). The condensed interim consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	Notes	The Bank's ownership interest/control (*)		Type of activity
			30 September 2011 %	31 December 2010 %	
OJSC "NOMOS-BANK"	Russian Federation		Parent company	Parent company	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS-BANK-Siberia"	Russian Federation		100/100	100/100	Banking activity
LLC "Inbank"	Russian Federation		74.15/74.15	74.15/74.15	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation		51.29/51.29	51.29/51.29	Banking activity
BKM Finance Limited	Ireland		(contractual agreement)	(contractual agreement)	Issue of securities
LLC "YUGRA-LEASING"	Russian Federation		51.29/100	51.29/100	Finance lease of equipment
LLC "Group of Project Finance"	Russian Federation		51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation		50.25/97.98	38.53/75.13	Banking activity
LLC "NM-Expert"	Russian Federation		19.90/100	19.90/100	Construction
LLC "Promgazkomplekt"	Russian Federation		100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation		100/100	100/100	Office building ownership
CJSC "Sovfintrast"	Russian Federation		100/100	100/100	Investment management
CJSC "Upravlyaushaya compania aktivami"	Russian Federation		100/100	100/100	Asset management
Nomos Capital Plc.	Ireland		(contractual agreement)	(contractual agreement)	Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation		99.9/99.9	99.9/99.9	Investment management
LLC "Leasing-Project"	Russian Federation		100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation		100/100	100/100	Office building ownership
LLC "Baltaktiv"	Russian Federation		100/100	100/100	Wholesale commerce
LLC "Attenium"	Russian Federation		51/100	-	Investment management
LLC NKO "Payment System "Rapida"	Russian Federation		51/100	-	Payment system
LLC "Processing centre "Rapida"	Russian Federation		51/100	-	Processing centre
LLC "Gikor"	Russian Federation		51/100	-	Asset management
LLC "Upravlyaushaya compania NOMOS BANK"	Russian Federation		100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation		100/100	100/100	Office building ownership
LLC "Vostok-Capital"	Russian Federation		100/100	100/100	Investment management
LLC "Nedvizhimost Primorya"	Russian Federation		100/100	-	Real estate rent activity
LLC "Invest-Trading"	Russian Federation		100/100	-	Investment management

(\* ) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC “NOMOS-BANK”;
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group;

Additionally, the Group exercises 100 per cent control over the following investment funds, as contractually stipulated:

- ZPIFVI “Venchnury fond investitsionnogo i proektnogo finansirovaniya”;
- ZPIFRE “Universal – Real estate fund”;
- ZPIF “KhMB-Capital”;
- OPIF “NOMOS – Fund of shares”;
- OPIF “NOMOS – Fund of bonds”.

As at 30 September 2011 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group’s financial statements.

As at 30 September 2011 and 31 December 2010 the Group had 9,976 employees and 9,408 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 30 September 2011 and 31 December 2010 the Group had respectively 277 and 300 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the nine months ended 30 September 2011 is presented in Note 4.

As at 30 September 2011 and 31 December 2010 the following shareholders owned the issued shares of the Bank:

Shareholders	30 September 2011, %	31 December 2010, %
<b>Shareholders of the Bank (Shareholders of the first level):</b>		
“Russia Finance Corporation B.V.”	26.53	28.24
Custodian for Global Depository Receipts on London Stock Exchange (Deutsche Bank Aktiengesellschaft )*	22.82	-
“Vitalpeake limited”	17.54	18.66
“Lordlaine limited”	13.82	10.04
“Arrowzone limited”	7.95	8.46
“Viewrock limited”	5.05	10.04
“Crisandra holdings Ltd”	4.12	-
“Lobston Enterprises limited” (Cyprus)	-	18.87
CJSC “Yeniseiskaya Investment Company”	-	5.60
Other	2.17	0.09
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Shareholders	30 September 2011, %	31 December 2010, %
<b>Ultimate shareholders of the Bank:</b>		
Mr. Kellner P.	26.53	28.24
Custodian for Global Depository Receipts on London Stock Exchange (Deutsche Bank Aktiengesellschaft )*	22.82	-
Mr. Nesis A.N.	17.54	18.66
Mr. Gudaytis A.A.	15.88	12.03
Mr. Dobrinov N.I.	7.11	12.03
Mr. Finogenov I.V.	3.90	4.15
Mr. Sokolov D.V.	3.90	4.15
Mr. Petropavlovsky A.F.	0.15	0.16
Mr. Korbachka R.	-	18.87
Mr. Terzian N.	-	1.71
Other	2.17	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(\* ) Individual shareholder is currently not available therefore presented at custodian level.

As at 30 September 2011 and 31 December 2010 the following companies owned the outstanding preference shares of the Bank:

	<u>30 September 2011, %</u>	<u>31 December 2010, %</u>
<b>Shareholders of outstanding preference shares</b>		
<b>Shareholders of outstanding preference shares the Bank (Shareholders of the first level):</b>		
“Lobston Enterprises limited” (Cyprus)	-	100.00
<b>Total</b>	<u>-</u>	<u>100.00</u>
	<u>30 September 2011, %</u>	<u>31 December 2010, %</u>
<b>Shareholders of outstanding preference shares</b>		
<b>Ultimate shareholders of outstanding preference shares the Bank:</b>		
Mr. Korbachka R.	-	100.00
<b>Total</b>	<u>-</u>	<u>100.00</u>

The Group’s subsidiary company LLC “Promgazkomplekt” has repurchased 100% of the Group’s preference shares (12,100 million items). The deal was performed for the purpose of optimization of the Group’s capital structure. The Group has no intention to sell back these shares in the foreseeable future.

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 30 November 2011.

## 2. BASIS OF PRESENTATION

### Accounting basis

This condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). Accordingly, it does not include all of the information required by International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

Since the results of the Group’s operations closely relate to and depend on changing market conditions, the results of the Group’s operations for the interim period are not necessarily indicative of the results for the year.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

This condensed interim consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the condensed interim consolidated financial statements continue to be prepared on the going concern basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010, except as to the changes and the new policies implemented in the period and discussed below.

Gain/loss on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination included in the condensed interim consolidated income statement for the nine months ended 30 September 2011 represents (a) RUB 1,952 million related to the re-assessment of the expected cash flows from outstanding interest bearing assets which are mainly arising from changes in assessment of the credit quality of the underlying assets acquired and (b) RUB 2,038 million related to repayment on maturity and/or prepayment of loans to customers of Bank of Khanty-Mansiysk Group, a banking group acquired by Nomos in December 2010.

The transaction costs of an equity transaction such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

There were no new accounting standards adopted from 1 January 2011 which had a material impact in these condensed interim consolidated interim financial statements.

#### **Change in accounting policy**

Starting from the 1 January 2011 the Group has elected to change its policy with respect to classification of the impacts of the foreign exchange gains and losses on the allowance for loan losses of foreign currency denominated loans. In the current period the Group reflected such impacts in the Net (loss)/gain on foreign currency operations. The Group previously included such impacts in the Allowance for Impairment Losses on Interest Bearing Assets. The change in the policy enhances comparability and uniformity of the treatment of the impacts of foreign exchange gains and losses on loans and allowance for loan losses in the condensed interim consolidated statement of financial position and the condensed interim consolidated income statement (see Note 12). The management estimated the impact of this classification on the comparative data as immaterial, so the classification was not performed retrospectively.

During the period the Group has also elected to change its presentation of the condensed interim consolidated statement of cash flows from indirect method of cash flow to direct cash flow method as defined under IAS 7 *Statement of Cash Flows*. The change in the presentation enhances the ability of the user to analyze and understand the sources and uses of funds by the Group and align the presentation with the way the Group internally manages and monitors its operations. The Group results have been restated for the nine months period ended 30 September 2010 to conform to the current policy.

See explanations for further note disclosure changes in Note 12.

#### 4. ACQUISITIONS AND DISPOSALS

In August 2011 the Group has founded a new subsidiary company LLC “Invest-Trading”. The company is 100% controlled by the Group.

In August 2011 the Group has purchased interest share from minority shareholders of the OJSC “Novosibirsk Municipal Bank” and increased its share from 38.53% as at 31 December 2010 to 50.25% as at 30 September 2011. The cashflow relating to the acquisition of shares amounted to RUB 69 million. No gain/(loss) resulted from this transaction.

In June 2011 the Group has founded a new subsidiary company LLC “Nedvizhimost Primorya”. The company is 100% controlled by the Group.

In April 2011 the Group’s subsidiary company CJSC “Sovfintrast” has founded two Open Investment Funds: OPIF “NOMOS – Fund of shares” and OPIF “NOMOS – Fund of bonds”. As at 30 September 2011 the Group owns 99.9% units in these investment funds.

In March 2011 the Group has purchased 51% shares of LLC “Attenium” with its wholly-owned subsidiaries – LLC “PS Rapida”, LLC “PC Rapida”, LLC “Gikor”.

The cash outflow relating to the acquisition of shares amounted to RUB 380 million. The net gain from the bargain purchase of RUB 13 million is provisional in the condensed interim consolidated income statement for the nine months ended 30 September 2011. The provisional fair value of the net assets of the company as at the acquisition date is presented below. As at 30 September 2011 the initial accounting for a business combination is incomplete accordingly the Group reported the provisional amounts currently representing the Group’s best estimate of the acquisition date values. Those provisional amounts will be adjusted during the measurement period (not to exceed one year from the acquisition date), to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

	<u>LLC “Attenium”</u>
<b>Assets</b>	
Cash and balances with the Central Bank of the Russian Federation	57
Loans and advances to banks and other financial institutions	468
Investments available-for-sale	3
Property, plant and equipment	12
Intangible assets	681
Other assets	19
<b>Total assets</b>	<b><u>1,240</u></b>
Due to banks and the Central Bank of the Russian Federation	100
Customer accounts	99
Other liabilities	271
<b>Total liabilities</b>	<b><u>470</u></b>
<b>Net assets</b>	<b><u>770</u></b>
Parent company’s ownership interest (%)	51%
Parent company’s ownership interest	393
<b>Consideration paid</b>	<b><u>380</u></b>
<b>Gain from bargain purchase</b>	<b><u>13</u></b>

In December 2010 Group acquired 51.29% share in Khanty-Mansiysky Bank Group totalling RUB 12,122 million. The consideration was paid in cash.

## 5. NET INTEREST INCOME

Net interest income comprises:

	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
<b>Interest income comprises:</b>				
Interest income on assets recorded at amortized cost	33,154	11,955	18,099	6,091
Interest income on assets at fair value through profit or loss	2,834	893	3,513	894
Interest income on investments available-for-sale	1,321	160	76	24
<b>Total interest income</b>	<b>37,309</b>	<b>13,008</b>	<b>21,688</b>	<b>7,009</b>
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	29,579	10,886	16,181	5,437
Interest income on reverse repurchase transactions	2,391	757	1,527	525
Interest income on loans and advances to banks and other financial institutions	1,128	303	311	105
Interest on investments held to maturity	56	9	80	24
Total interest income on assets recorded at amortized cost	<b>33,154</b>	<b>11,955</b>	<b>18,099</b>	<b>6,091</b>
Interest income on assets at fair value through profit or loss:				
Interest income on financial assets at fair value through profit or loss held-for-trading	2,834	893	3,513	894
Total interest income on assets at fair value through profit or loss	<b>2,834</b>	<b>893</b>	<b>3,513</b>	<b>894</b>
Interest income on investments available-for-sale	1,321	160	76	24
Total interest income on investments available-for-sale	<b>1,321</b>	<b>160</b>	<b>76</b>	<b>24</b>
<b>Interest expense comprises:</b>				
Interest expense on liabilities recorded at amortized cost	17,151	5,799	11,286	3,275
<b>Total interest expense</b>	<b>17,151</b>	<b>5,799</b>	<b>11,286</b>	<b>3,275</b>
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	9,907	3,402	6,444	1,930
Interest expense on Bonds and Eurobonds issued	1,951	625	1,407	314
Interest expense on subordinated debt	1,668	548	1,768	537
Interest expense on due to banks and the Central Bank of the Russian Federation	1,646	651	939	279
Interest expense on promissory notes issued	1,515	433	634	177
Interest expense on repurchase transactions	464	140	94	38
Total interest expense on financial liabilities recorded at amortized cost	<b>17,151</b>	<b>5,799</b>	<b>11,286</b>	<b>3,275</b>
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>20,158</b>	<b>7,209</b>	<b>10,402</b>	<b>3,734</b>



## 6. TRADING (LOSS)/INCOME

Trading (loss)/income comprises:

	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
Securities recognized at fair value through profit or loss	(51)	(91)	-	-
Securities classified as held-for-trading	(2,250)	(2,648)	1,607	351
<b>Securities</b>	<b>(2,301)</b>	<b>(2,739)</b>	<b>1,607</b>	<b>351</b>
Derivatives on foreign currency contracts	(2,153)	(4,676)	165	(57)
Net gain on foreign currency operations	3,315	4,558	546	174
<b>Foreign currency</b>	<b>1,162</b>	<b>(118)</b>	<b>711</b>	<b>117</b>
Derivatives on precious metals contracts	2,008	1,705	20	108
Net (loss)/gain on precious metals	(1,450)	(1,403)	245	78
<b>Precious metals</b>	<b>558</b>	<b>302</b>	<b>265</b>	<b>186</b>
Other derivatives contracts	(23)	(85)	(109)	(28)
<b>Other derivatives</b>	<b>(23)</b>	<b>(85)</b>	<b>(109)</b>	<b>(28)</b>
<b>Total trading (loss)/income</b>	<b>(604)</b>	<b>(2,640)</b>	<b>2,474</b>	<b>626</b>

The analysis of trading (loss)/income is based on how the business is organised and the underlying risks managed. Trading (loss)/income comprises gains and losses on financial instruments held-for-trading, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts;
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans;
- Precious metals: precious metals operations and precious metals forward contracts;
- Other derivatives: interest rate swap contracts.

## 7. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
<b>Fee and commission income:</b>				
Settlements	2,086	853	645	246
Cash operations	1,712	656	342	130
Documentary operations	1,163	439	528	205
Foreign currency conversion operations	162	55	-	-
Brokerage operations	81	25	16	6
Operations with precious metals	70	30	90	31
Operations related to underwriting	9	-	2	-
Depository services	5	2	5	1
Other	300	125	52	9
<b>Total fee and commission income</b>	<b>5,588</b>	<b>2,185</b>	<b>1,680</b>	<b>628</b>
<b>Fee and commission expense:</b>				
Settlements	1,093	449	123	53
Cash operations	95	38	44	16
Documentary operations	78	25	34	10
Securities operations	29	9	14	4
Depository services	14	8	12	4
Other	33	11	29	12
<b>Total fee and commission expense</b>	<b>1,342</b>	<b>540</b>	<b>256</b>	<b>99</b>
<b>Net fee and commission income</b>	<b>4,246</b>	<b>1,645</b>	<b>1,424</b>	<b>529</b>

## 8. OPERATING EXPENSES

Operating expenses comprise:

	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
Payroll and bonuses	6,314	2,106	2,931	1,060
Unified social tax	1,190	302	408	92
Amortization of intangible assets	614	214	56	24
Depreciation of property, plant and equipment	584	198	326	109
Taxes other than income tax	506	157	225	83
Rent expenses	441	149	254	85
Stationery and other office expenses	441	171	87	34
Property, plant and equipment maintenance	384	136	222	76
Payments to the Deposit Insurance Fund	343	119	154	52
Advertising expenses	301	104	67	24
Professional services	274	128	214	91
Security expenses	227	75	156	52
Telecommunications	210	83	117	39
Representation expenses	112	34	37	18
Insurance expenses	100	23	17	7
Other expenses	445	101	255	126
<b>Total operating expenses</b>	<b>12,486</b>	<b>4,100</b>	<b>5,526</b>	<b>1,972</b>

In April 2011 the Group has performed the initial public offering (IPO) of its shares, followed by issuance of the new shares via closed subscription by the existing shareholders. The Group has recognized transaction costs related to the issuance of new shares which are accounted for as a deduction from share premium (see Note 19).

The amount of transaction costs related to the listing of the existing shares comprised RUB 215 million and was recorded within operating expenses in the consolidated income statement. Transaction costs specifically affected the following operating expenses: payroll, professional services, stationery and office expenses and other expenses.

## 9. EARNINGS PER SHARE

Earnings per share are presented as follows:

	Nine months ended 30 September 2011	Three months ended 30 September 2011	Nine months ended 30 September 2010	Three months ended 30 September 2010
<b>Earnings per share related to continuing operations:</b>				
<b>Profit:</b>				
Net profit	6,947	768	5,467	1,754
<b>Less:</b>				
Loss on redemption of preference shares	(40)	-	-	-
Non-controlling interest	(1,130)	(55)	(24)	(10)
Net earnings attributable to equity holders of the parent	<u>5,777</u>	<u>713</u>	<u>5,443</u>	<u>1,744</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	88,888,609	92,422,370	81,984,861	81,984,861
<b>Earnings per share – basic and diluted (RUB)</b>	<b><u>64.99</u></b>	<b><u>7.71</u></b>	<b><u>66.39</u></b>	<b><u>21.27</u></b>

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	30 September 2011	31 December 2010
<b>Financial assets held-for-trading:</b>		
Debt securities	62,063	50,335
Equity securities	2,290	1,973
<b>Total financial assets held-for-trading</b>	<b><u>64,353</u></b>	<b><u>52,308</u></b>
<b>First to default credit-linked notes recognized at fair value through profit or loss</b>	<b>1,179</b>	<b>1,817</b>
<b>Derivative financial instruments</b>	<b><u>7,486</u></b>	<b><u>1,397</u></b>
<b>Total financial assets at fair value through profit or loss</b>	<b><u>73,018</u></b>	<b><u>55,522</u></b>

As at 30 September 2011 financial assets held-for-trading comprise:

	<b>30 September 2011</b>	<b>Interest rate to nominal</b>	<b>Maturity date</b>
Bonds and Eurobonds issued by banks	23,800	4.3-12.8%	October 2011 to June 2035 December 2011 to December 2036
Corporate bonds and Eurobonds	15,336	5.1-14.9%	October 2011 to March 2014
Promissory notes of credit institutions	10,954	-	February 2013 to February 2036
OFZ bonds	8,204	6.6-12.0%	March 2030
RF Government Eurobonds	3,615	7.5%	April 2014 to June 2014
Municipal bonds	154	8.0-14.0%	-
Corporate shares	2,290	-	-
<b>Total financial assets held-for-trading</b>	<b>64,353</b>		

	<b>30 September 2011</b>	<b>Pledged as collateral with CBR</b>	<b>Pledged under repurchase agreements with banks</b>	<b>Pledged under repurchase agreements with customers</b>	<b>Total collateral</b>
Bonds and Eurobonds issued by banks	23,800	2,212	9,394	-	11,606
Corporate bonds and Eurobonds	15,336	1,761	7,856	-	9,617
Promissory notes of credit institutions	10,954	-	-	-	-
OFZ bonds	8,204	480	3,560	52	4,092
RF Government Eurobonds	3,615	-	2,988	-	2,988
Municipal bonds	154	-	-	-	-
Corporate shares	2,290	-	6,807	4,707	11,514
<b>Total financial assets held-for-trading</b>	<b>64,353</b>	<b>4,453</b>	<b>30,605</b>	<b>4,759</b>	<b>39,817</b>

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 6,632 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 4,511 million as discussed in Note 16.

As at 31 December 2010 financial assets held-for-trading comprise:

	<b>31 December 2010</b>	<b>Interest rate to nominal</b>	<b>Maturity date</b>
Bonds and Eurobonds issued by banks	21,455	4.25-12.0%	January 2011 to June 2035
Corporate bonds and Eurobonds	13,596	5.09-18.5%	March 2011 to June 2035
Promissory notes of credit institutions	7,038	-	April 2011 to October 2011
OFZ bonds	52	6.90-7.0%	October 2018 to February 2036
RF Government Eurobonds	5,300	7.5%	March 2030
Municipal bonds	2,894	8.0-19.1%	April 2011 to October 2015
Corporate shares	1,973	-	-
<b>Total financial assets held-for-trading</b>	<b>52,308</b>		

	31 December 2010	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	21,455	4,005	-	-	4,005
Corporate bonds and Eurobonds	13,596	914	-	-	914
Promissory notes of credit institutions	7,038	-	-	-	-
OFZ bonds	52	-	-	-	-
RF Government Eurobonds	5,300	-	927	-	927
Municipal bonds	2,894	-	-	-	-
Corporate shares	1,973	-	2,201	1,786	3,987
<b>Total financial assets held-for-trading</b>	<b>52,308</b>	<b>4,919</b>	<b>3,128</b>	<b>1,786</b>	<b>9,833</b>

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 2,135 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 1,786 million as discussed in Note 16.

As at 30 September 2011 and 31 December 2010 bonds and Eurobonds issued by banks include bonds issued by Russian banks.

Corporate bonds and Eurobonds include bonds of Russian companies.

Promissory notes are represented by promissory notes issued by Russian banks.

Russian State Bonds (OFZ bonds) are Rouble-denominated government securities guaranteed by the Ministry of Finance of the Russian Federation.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally.

Municipal bonds are bonds issued by local authorities of the Russian Federation.

Corporate shares are actively traded shares in the open market issued by Russian companies.

First to default credit-linked notes are USD denominated floating coupon notes issued by major international financial institutions, repayment of which is dependent on certain corporate bonds being repaid by their issuers in full (the "reference bonds"). In case of default of any of the reference bonds, the major international financial institutions have the right to transfer to the Group defaulted bonds with a nominal amount equal to the nominal amount of first to default credit-linked notes held by the Group without any further payments to the Group for these notes.

As at 30 September 2011 first to default credit-linked notes were as follows:

Nominal amount and margin calls		Maturity date	Coupon rate	Reference bonds	30 September 2011 Carrying amount
Nominal currency	Rouble equivalent				
USD 20 million	637	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	614
USD 10 million	319	20 November 2012	6 month LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	263
USD 10 million	319	20 December 2011	6 month LIBOR+ 9.25% per annum	AK Alrosa OAO TNK-BP OAO Severstal OAO Alfa-Bank OAO Vypelkom	302
					<b>1,179</b>

As at 31 December 2010 first to default credit-linked notes were as follows:

Nominal amount and margin calls		Maturity date	Coupon rate	Reference bonds	31 December 2010 Carrying amount
Nominal currency	Rouble equivalent				
USD 20 million	610	20 March 2011	6 month LIBOR+ 12.75% per annum	OAO Bank VTB OAO Vypelkom OAO Severstal	677
USD 20 million	610	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	575
USD 10 million	305	20 November 2012	6 month LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	279
USD 10 million	305	20 December 2011	6 month LIBOR+ 9.25% per annum	AK Alrosa OAO TNK-BP OAO Severstal OAO Alfa-Bank OAO Vypelkom	286
					<b>1,817</b>

## 11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	<u>30 September 2011</u>	<u>31 December 2010</u>
Loans to banks	27,403	24,546
Correspondent accounts with banks	23,232	14,771
Loans under reverse repurchase agreements	<u>298</u>	<u>2,260</u>
<b>Total loans and advances to banks and other financial institutions</b>	<b><u>50,933</u></b>	<b><u>41,577</u></b>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 September 2011 and 31 December 2010 are presented as follows:

	<u>30 September 2011</u>		<u>31 December 2010</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Bonds and Eurobonds issued by banks	289	396	345	421
OFZ bonds	9	10	1,176	1,275
Corporate bonds and Eurobonds	-	-	333	409
Corporate shares	-	-	306	492
Municipal bonds	<u>-</u>	<u>-</u>	<u>100</u>	<u>117</u>
<b>Total</b>	<b><u>298</u></b>	<b><u>406</u></b>	<b><u>2,260</u></b>	<b><u>2,714</u></b>

As at 30 September 2011 and 31 December 2010 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with plastic cards in the amount of RUB 712 million and RUB 551 million, respectively.

## 12. LOANS TO CUSTOMERS

Loans to customers comprise:

	<b>30 September 2011</b>	<b>31 December 2010</b>
<b>Loans to legal entities</b>		
Corporate loans	345,485	251,461
Loans under reverse repurchase agreements	43,453	43,471
Small business loans to corporates	27,960	19,973
Net investments in finance lease	2,185	2,145
Lease contracts to individual entrepreneurs	437	139
<b>Total loans to legal entities</b>	<b>419,520</b>	<b>317,189</b>
<b>Loans to individuals</b>		
Mortgage loans	26,126	21,979
Consumer loans	24,378	13,194
Car loans	2,930	2,202
Loans to individual entrepreneurs	374	266
Other	13	30
<b>Total loans to individuals</b>	<b>53,821</b>	<b>37,671</b>
<b>Gross loans to customers</b>	<b>473,341</b>	<b>354,860</b>
Less – Allowance for impairment losses	(18,656)	(15,558)
<b>Total loans to customers</b>	<b>454,685</b>	<b>339,302</b>

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The Group has an internal classification of the loans without the individual indicators of impairment. The loans are classified as:

- Standard loans, representing loans without any indicators of impairment and thus representing the best level of credit quality;
- Watch list loans, representing loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools.



The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories as at 30 September 2011:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Corporate loans</b>				
Loans without individual indicators of impairment:				
- standard loans not overdue	371,831	8,776	363,055	2.36%
- watch list loans	8,241	660	7,581	8.01%
Total loans without individual indicators of impairment	<u>380,072</u>	<u>9,436</u>	<u>370,636</u>	<u>2.48%</u>
Loans with individual indicators of impairment:				
- not past due	3,799	717	3,082	18.87%
- overdue less than 90 days	202	36	166	17.82%
- overdue more than 90 days and less than 1 year	1,708	1,423	285	83.31%
- overdue more than 1 year	5,342	3,886	1,456	72.74%
Total loans with individual indicators of impairment	<u>11,051</u>	<u>6,062</u>	<u>4,989</u>	<u>54.85%</u>
<b>Total corporate loans</b>	<b><u>391,123</u></b>	<b><u>15,498</u></b>	<b><u>375,625</u></b>	<b><u>3.96%</u></b>
<b>Small business loans to corporates</b>				
Loans without individual indicators of impairment:				
- standard loans not overdue	26,365	934	25,431	3.54%
- watch list loans	889	40	849	4.50%
Total loans without individual indicators of impairment	<u>27,254</u>	<u>974</u>	<u>26,280</u>	<u>3.57%</u>
Loans with individual indicators of impairment:				
- not past due	144	66	78	45.83%
- overdue less than 90 days	96	54	42	56.25%
- overdue more than 90 days and less than 1 year	215	200	15	93.02%
- overdue more than 1 year	688	675	13	98.11%
Total loans with individual indicators of impairment	<u>1,143</u>	<u>995</u>	<u>148</u>	<u>87.05%</u>
<b>Total small business loans to corporates</b>	<b><u>28,397</u></b>	<b><u>1,969</u></b>	<b><u>26,428</u></b>	<b><u>6.93%</u></b>
<b>Total loans to legal entities</b>	<b><u>419,520</u></b>	<b><u>17,467</u></b>	<b><u>402,053</u></b>	<b><u>4.16%</u></b>

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories as at 31 December 2010:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Corporate loans</b>				
Loans without individual indicators of impairment:				
- standard loans not overdue	269,455	5,115	264,340	1.90%
- watch list loans	13,723	479	13,244	3.49%
Total loans without individual indicators of impairment	<u>283,178</u>	<u>5,594</u>	<u>277,584</u>	<u>1.98%</u>
Loans with individual indicators of impairment:				
- not past due	4,427	1,550	2,877	35.01%
- overdue less than 90 days	2,565	889	1,676	34.66%
- overdue more than 90 days and less than 1 year	1,769	1,410	359	79.72%
- overdue more than 1 year	5,138	3,994	1,144	77.74%
Total loans with individual indicators of impairment	<u>13,899</u>	<u>7,843</u>	<u>6,056</u>	<u>56.43%</u>
<b>Total corporate loans</b>	<b><u>297,077</u></b>	<b><u>13,437</u></b>	<b><u>283,640</u></b>	<b><u>4.52%</u></b>
<b>Small business loans to corporates</b>				
Loans without individual indicators of impairment:				
- standard loans not overdue	18,161	230	17,931	1.27%
- watch list loans	760	19	741	2.45%
Total loans without individual indicators of impairment	<u>18,921</u>	<u>249</u>	<u>18,672</u>	<u>1.31%</u>
Loans with individual indicators of impairment:				
- not past due	329	167	162	50.81%
- overdue less than 90 days	69	52	17	74.88%
- overdue more than 90 days and less than 1 year	107	103	4	96.31%
- overdue more than 1 year	686	677	9	98.80%
Total loans with individual indicators of impairment	<u>1,191</u>	<u>999</u>	<u>192</u>	<u>83.93%</u>
<b>Total small business loans to corporates</b>	<b><u>20,112</u></b>	<b><u>1,248</u></b>	<b><u>18,864</u></b>	<b><u>6.21%</u></b>
<b>Total loans to legal entities</b>	<b><u>317,189</u></b>	<b><u>14,685</u></b>	<b><u>302,504</u></b>	<b><u>4.63%</u></b>

The following table provides information on loans to individuals as at 30 September 2011:

	<u>Gross Loans</u>	<u>Impairment allowance</u>	<u>Net Loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Mortgage loans</b>				
- Not past due	24,735	13	24,722	0.05%
- Overdue less than 30 days	506	14	492	2.77%
- Overdue 30-90 days	82	15	67	18.29%
- Overdue 91-180 days	104	55	49	52.88%
- Overdue 181-365 days	137	137	-	100.00%
- Overdue more than 365 days	562	562	-	100.00%
<b>Total mortgage loans</b>	<b>26,126</b>	<b>796</b>	<b>25,330</b>	<b>3.05%</b>
<b>Consumer loans</b>				
- Not past due	23,551	39	23,512	0.17%
- Overdue less than 30 days	434	40	394	9.22%
- Overdue 30-90 days	163	64	99	39.26%
- Overdue 91-180 days	121	108	13	89.26%
- Overdue 181-365 days	26	26	-	100.00%
- Overdue more than 365 days	83	83	-	100.00%
<b>Total consumer loans</b>	<b>24,378</b>	<b>360</b>	<b>24,018</b>	<b>1.48%</b>
<b>Car loans</b>				
- Not past due	2,853	3	2,850	0.11%
- Overdue less than 30 days	42	3	39	7.14%
- Overdue 30-90 days	17	2	15	11.76%
- Overdue 91-180 days	4	3	1	75.00%
- Overdue 181-365 days	10	10	-	100.00%
- Overdue more than 365 days	4	4	-	100.00%
<b>Total car loans</b>	<b>2,930</b>	<b>25</b>	<b>2,905</b>	<b>0.85%</b>
<b>Loans to individual entrepreneurs</b>				
- Not past due	372	8	364	2.15%
- Overdue less than 30 days	2	-	2	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total loans to individual entrepreneurs</b>	<b>374</b>	<b>8</b>	<b>366</b>	<b>2.14%</b>
<b>Other</b>				
- Not past due	13	-	13	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total other loans to individuals</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>0.00%</b>
<b>Total loans to individuals</b>	<b>53,821</b>	<b>1,189</b>	<b>52,632</b>	<b>2.21%</b>

The following table provides information on loans to individuals as at 31 December 2010:

	<u>Gross Loans</u>	<u>Impairment allowance</u>	<u>Net Loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Mortgage loans</b>				
- Not past due	20,968	45	20,923	0.22%
- Overdue less than 30 days	95	-	95	0.23%
- Overdue 30-90 days	147	29	118	19.55%
- Overdue 91-180 days	83	38	45	46.03%
- Overdue 181-365 days	192	191	1	99.49%
- Overdue more than 365 days	494	494	-	100.00%
<b>Total mortgage loans</b>	<b>21,979</b>	<b>797</b>	<b>21,182</b>	<b>3.63%</b>
<b>Consumer loans</b>				
- Not past due	12,988	25	12,963	0.19%
- Overdue less than 30 days	104	1	103	0.83%
- Overdue 30-90 days	50	2	48	4.83%
- Overdue 91-180 days	49	33	16	67.77%
- Overdue 181-365 days	3	-	3	0.04%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total consumer loans</b>	<b>13,194</b>	<b>61</b>	<b>13,133</b>	<b>0.46%</b>
<b>Car loans</b>				
- Not past due	2,125	3	2,122	0.12%
- Overdue less than 30 days	34	1	33	2.42%
- Overdue 30-90 days	29	3	26	10.90%
- Overdue 91-180 days	14	7	7	54.88%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total car loans</b>	<b>2,202</b>	<b>14</b>	<b>2,188</b>	<b>0.63%</b>
<b>Loans to individual entrepreneurs</b>				
- Not past due	266	1	265	0.25%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total loans to individual entrepreneurs</b>	<b>266</b>	<b>1</b>	<b>265</b>	<b>0.25%</b>
<b>Other</b>				
- Not past due	30	-	30	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
<b>Total other loans to individuals</b>	<b>30</b>	<b>-</b>	<b>30</b>	<b>0.00%</b>
<b>Total loans to individuals</b>	<b>37,671</b>	<b>873</b>	<b>36,798</b>	<b>2.32%</b>

Movements in allowances for impairment losses for the nine months ended 30 September 2011 and 2010 were as follows.

	For the nine months ended 30 September	
	2011	2010
<b>As at 1 January</b>	<b>15,558</b>	<b>17,027</b>
Provision charge/release	6,440	3,478
Recovery of bad debt written-off	179	-
Foreign currency revaluation effect	182	-
Disposal of loans	(1,343)	(1,284)
Bad debt written-off	(2,360)	-
Acquisition of subsidiaries	-	(84)
<b>As at 30 September</b>	<b>18,656</b>	<b>19,137</b>

The Group re-characterized loans to certain borrowers from investing to other sectors in order to align them with borrowers' primary business activities, the change was made retrospectively.

Loans are made principally within Russia in the following industry sectors:

	30 September 2011	31 December 2010
<b>Analysis by industry sector:</b>		
Industrial manufacturing	66,153	60,936
Individuals	53,821	37,671
Mining	51,663	22,182
Wholesale trade	49,391	41,054
Brokerage and dealing in securities	43,453	42,789
Operations with real estate	41,674	16,259
Construction of industrial real estate	25,755	15,182
Leasing	24,404	17,891
Housing construction	22,160	17,014
Retail trade	19,027	12,528
Transport and communication	17,809	10,059
Services	16,040	20,520
Construction of commercial real estate	15,860	12,159
Agriculture	3,854	3,230
Energy	3,156	8,539
Government finance	1,184	1,987
Precious metals extraction	351	1,011
Other	17,586	13,849
<b>Gross loans to customers</b>	<b>473,341</b>	<b>354,860</b>
Less – Allowance for impairment losses	(18,656)	(15,558)
<b>Total loans to customers</b>	<b>454,685</b>	<b>339,302</b>

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	30 September 2011	31 December 2010
Loans collateralized by guarantees of enterprises and banks	108,860	95,022
Loans collateralized by pledge of securities	107,034	66,212
Loans collateralized by pledge of real estate	71,444	50,660
Loans collateralized by pledge of contract proceeds	31,220	30,327
Loans collateralized by pledge of property	28,066	21,121
Loans collateralized by pledge of the Bank's own securities	2,761	102
Unsecured loans	70,135	53,745
<b>Gross loans to corporate customers</b>	<b>419,520</b>	<b>317,189</b>
Less – Allowance for impairment losses	(17,467)	(14,685)
<b>Total loans to corporate customers</b>	<b>402,053</b>	<b>302,504</b>

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	<u>30 September 2011</u>	<u>31 December 2010</u>
Loans collateralized by pledge of real estate	17,883	18,382
Loans collateralized by guarantees of enterprises	10,076	10,270
Loans collateralized by pledge of securities	3,277	1,587
Loans collateralized by pledge of vehicles and other property	2,712	2,075
Loans collateralized by pledge of contract proceeds	1,054	471
Loans collateralized by pledge of the Bank's own securities	4	5
Unsecured loans	18,815	4,881
<b>Gross loans to individuals</b>	<b>53,821</b>	<b>37,671</b>
Less – Allowance for impairment losses	(1,189)	(873)
<b>Total loans to individuals</b>	<b>52,632</b>	<b>36,798</b>

During the nine months ended 30 September 2011 and 30 September 2010 the Group had property with carrying amount of RUB 565 million and RUB 144 million, respectively, received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the condensed interim consolidated statement of cash flows).

During the nine months ended 30 September 2011 the Group received investment property amounting to 1,257 million received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the condensed interim consolidated statement of cash flows).

As at 30 September 2011 and 31 December 2010 the Group granted loans to seven and seven borrowers totalling RUB 73,137 million and RUB 59,011 million, respectively, which individually exceeded 10% of the Group's equity. Borrowers individually exceeding 10% of the Group equity have good credit history and the loans provided to them are in good book.

As at 30 September 2011 seven largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 73,137 million. As at 31 December 2010 seven largest borrowers were classified as corporate standard loans credit quality category in the amount of RUB 59,011 million.

As at 30 September 2011 and 31 December 2010 renegotiated loans amounted to RUB 7,793 million and RUB 5,512 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 September 2011 and 31 December 2010 are presented as follows:

	<u>30 September 2011</u>		<u>31 December 2010</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Corporate shares	36,678	39,178	33,787	42,381
Bonds and Eurobonds issued by banks	5,619	5,602	7,217	7,792
Corporate bonds and Eurobonds	1,047	1,074	1,635	1,832
Units of investment funds	109	99	-	-
Promissory notes issued by companies	-	-	832	840
<b>Total</b>	<b>43,453</b>	<b>45,953</b>	<b>43,471</b>	<b>52,845</b>

The components of net investment in finance lease as at 30 September 2011 and 31 December 2010 are as follows:

	<b>30 September 2011</b>	<b>31 December 2010</b>
Less than one year	1,684	1,181
From one year to five years	1,580	1,915
More than five years	82	22
Minimum lease payments	3,346	3,118
Less: unearned finance income	(724)	(834)
<b>Net investment in finance lease</b>	<b>2,622</b>	<b>2,284</b>
Current portion	1,377	804
Long-term portion	1,245	1,480
<b>Net investment in finance lease</b>	<b>2,622</b>	<b>2,284</b>

As at 30 September 2011 and 31 December 2010 the Group provided loans to customers in the amount of RUB 4,612 million and of RUB 6,451 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,262 million and RUB 6,363 million, respectively (see Note 16).

During the period ended 30 September 2011 and 31 December 2010 the Group sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	<b>Nine months ended 30 September 2011</b>	<b>Nine months ended 30 September 2010</b>
Fair value of the consideration received	5,011	7,553
Carrying amount net of provisions	(4,899)	(6,534)
<b>Net gain on disposal of loans</b>	<b>112</b>	<b>1,019</b>

### 13. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 September 2011 investments available-for-sale comprise:

	<b>30 September 2011</b>	<b>Interest rate to nominal</b>	<b>Maturity date</b>
Units of investment funds	5,625	-	-
Corporate bonds and Eurobonds	1,807	5.9-17.0%	March 2012 to December 2016
Bonds of foreign countries	1,616	8.8-8.9%	August 2015 to January 2018
Corporate shares	415	-	-
OFZ bonds	168	8.0%	November 2021
Bonds and Eurobonds issued by banks	149	6.5-9.3%	October 2011 to January 2018
Promissory notes of credit institutions	49	2.3-2.4%	October 2011 to January 2012
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b>9,830</b>		

	<u>30 September 2011</u>	<u>Pledged under repurchase agreements with banks</u>	<u>Total collateral</u>
Units of investment funds	5,625	-	-
Corporate bonds and Eurobonds	1,807	1,003	1,003
Bonds of foreign countries	1,616	638	638
Corporate shares	415	-	-
OFZ bonds	168	-	-
Bonds and Eurobonds issued by banks	149	-	-
Promissory notes of credit institutions	49	-	-
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b><u>9,830</u></b>	<b><u>1,641</u></b>	<b><u>1,641</u></b>

As at 31 December 2010 investments available-for-sale comprise:

	<u>31 December 2010</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Promissory notes of credit institutions	10,903	11.3-12.0%	January 2011 to December 2011
Units of investment funds	5,235	-	-
Corporate bonds and Eurobonds	4,725	5.9-13.5%	August 2015 to January 2018
RF Government Eurobonds	1,215	7.5%	March 2030
Promissory notes of companies	1,171	8.0%	June 2011 to May 2015
Bonds and Eurobonds issued by banks	859	7.5-14.9%	October 2011 to October 2016
Bonds of foreign countries	856	8.8%	August 215
Corporate shares	417	-	-
OFZ bonds	209	6.9-8.0%	November 2021 to February 2036
Municipal bonds	151	8.0%	April 2014
Municipal Eurobonds	21	6.5%	October 2011
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b><u>25,763</u></b>		

	<u>31 December 2010</u>	<u>Pledged under repurchase agreements with banks</u>	<u>Total collateral</u>
Promissory notes of credit institutions	10,903	-	-
Units of investment funds	5,235	-	-
Corporate bonds and Eurobonds	4,725	3,659	3,659
RF Government Eurobonds	1,215	1,215	1,215
Promissory notes of companies	1,171	-	-
Bonds and Eurobonds issued by banks	859	217	217
Bonds of foreign countries	856	646	646
Corporate shares	417	-	-
OFZ bonds	209	-	-
Municipal bonds	151	-	-
Municipal Eurobonds	21	-	-
Share participation in limited liability companies	1	-	-
<b>Total investments available-for-sale</b>	<b><u>25,763</u></b>	<b><u>5,737</u></b>	<b><u>5,737</u></b>



Units of investment funds included in financial assets available-for-sale as at 30 September 2011 are presented below:

	<u>30 September 2011</u>	<u>31 December 2010</u>
ZPIF Rusnedra	5,619	5,226
OPIF of shares "Troika-Dialog – Dobrynya Nikitich"	<u>6</u>	<u>9</u>
<b>Total units of investment funds</b>	<b><u>5,625</u></b>	<b><u>5,235</u></b>

Closed unit investment fund of private equity investments ZPIF Rusnedra is managed by LLC Managing Company Fleming Family & Partners and created with the purpose of investing into shares (units) of companies engaged in the production and exploration and holding oil and gas production licenses.

For units in ZPIF Rusnedra, which have no quoted prices in the active market, the Group applies a discounted cash flow method ("DCF Method"). "DCF Method" is a method within the income approach whereby the present value of future expected free cash flows is calculated using a discount rate which reflects the degree of perceived risk associated with achieving the projected results.

The valuation of ZPIF Rusnedra has been derived by projecting free cash flows derived from normalized historical data, internal long-term performance forecast, as well as benchmarking of long-term growth in the industry and the economy. The key variables in the projection included assumptions with respect to future prices, production volumes, extraction costs, operating taxes, depreciation, capital expenditures and working capital investments. Resulting cash flows have been discounted at the rates determined based on market, country, industry and small cap premiums as well as company specific risk factors to arrive at the valuation as of respective balance sheet dates.

As at 30 September 2011 and 31 December 2010 corporate bonds and Eurobonds include bonds of Russian companies.

As at 30 September 2011 and 31 December 2010 bonds of foreign countries are presented by the bonds issued by the countries of CIS.

As at 30 September 2011 and 31 December 2010 corporate shares include quoted shares of Russian companies and other investments in unquoted equity instruments.

As at 30 September 2011 and 31 December 2010 Russian State Bonds (OFZ bonds) are Rouble-denominated government securities guaranteed by the Ministry of Finance of the Russian Federation.

As at 30 September 2011 and 31 December 2010 bonds and Eurobonds issued by banks include bonds of Russian banks and the banks of Republic of Kazakhstan.

As at 30 September 2011 and 31 December 2010 promissory notes of credit institutions include interest-bearing securities of large Russian banks.

As at 31 December 2010 RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally.

As at 31 December 2010 municipal bonds of the Russian Federation include bonds of the Moscow Region Government.

As at 31 December 2010 municipal Eurobonds include bonds of the Moscow Region Government nominated in foreign currency.

As at 31 December 2010, promissory notes of companies include interest-bearing securities of large Russian companies.

For the nine months ended 30 September 2011 and 30 September 2010 impairment loss on corporate shares and bonds amounting to RUB 51 million and RUB 15 million, respectively, was recognized.

#### 14. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	Interest rate to nominal	30 September 2011	Pledged as collateral with CBR	Interest rate to nominal	31 December 2010
Corporate bonds	7.75%	1,120	-	7.75-17.0%	1,311
Municipal bonds	9.0%	535	519	9.0%	645
OFZ bonds	6.9%	25	-	6.9%	25
<b>Total investments held to maturity before allowance for impairment losses</b>		<b>1,680</b>	<b>-</b>		<b>1,981</b>
Less – Allowance for impairment losses		(1,120)	-		(1,129)
<b>Total investments held to maturity</b>		<b>560</b>	<b>519</b>		<b>852</b>

Following the adopted amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* the management of the Bank has made the decision dated 31 October 2008 to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from the first of July 2008. The reclassified securities amounted to RUB 2,054 million at the date of reclassification. If the reclassification had not been made, the Group's condensed interim consolidated income statement for the nine months ended 30 September 2011 and 30 September 2010 would have included unrealized fair value result on the reclassified debt securities of RUB 16 million and RUB 41 million respectively.

Movements in allowances for impairment losses for the nine months ended 30 September 2011 and 2010 were as follows.

	For the nine months ended 30 September	
	2011	2010
<b>As at 1 January</b>	<b>1,129</b>	<b>684</b>
Provision charge/release	(9)	101
<b>As at 30 September</b>	<b>1,120</b>	<b>785</b>

#### 15. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	30 September 2011	31 December 2010
Deposits from banks	83,960	41,167
Loans under repurchase agreements	26,483	6,856
Correspondent accounts of other banks	10,550	8,802
Syndicated loans	-	3,014
<b>Total due to banks and the Central Bank of the Russian Federation</b>	<b>120,993</b>	<b>59,839</b>

As at 30 September 2011 and 31 December 2010 the Group had deposits from three and two banks amounting to RUB 47,644 million and RUB 13,202 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 September 2011 and 31 December 2010 are presented as follows:

	30 September 2011		31 December 2010	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds and Eurobonds issued by banks	7,757	9,394	190	217
Corporate bonds and Eurobonds	7,500	8,859	3,018	3,659
Corporate shares	4,699	6,807	1,479	2,201
OFZ bonds	3,513	3,560	-	-
RF Government Eurobonds	2,479	2,988	1,684	2,142
Bonds of foreign countries	535	638	485	646
<b>Total</b>	<b>26,483</b>	<b>32,246</b>	<b>6,856</b>	<b>8,865</b>

## 16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 September 2011	31 December 2010
Term deposits	232,626	222,144
Current accounts	105,210	83,753
Term deposits from Deposit Insurance Agency	6,262	6,363
Loans under repurchase agreements	4,063	1,116
<b>Total customer accounts</b>	<b>348,161</b>	<b>313,376</b>

As at 30 September 2011 and 31 December 2010 the Group received funds from four and three customers amounting to RUB 43,624 million and RUB 27,160 million, respectively, which individually exceeded 10% of the Group's equity.

As at 30 September 2011 and 31 December 2010 demand deposits denominated in units of precious metals which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	30 September 2011	31 December 2010
Gold	6,592	3,338
Silver	561	406
Palladium	74	39
Platinum	45	6
<b>Total customer accounts denominated in precious metals</b>	<b>7,272</b>	<b>3,789</b>

As at 30 September 2011 and 31 December 2010 customer accounts amounting to RUB 1,650 million and RUB 1,222 million, respectively, were held as security against other financial transactions by the Group (see Note 20).

As at 30 September 2011 and 31 December 2010 the Group provided loans to customers in the amount of RUB 4,612 million and of RUB 6,451 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,262 million and RUB 6,363 million, respectively (see Note 12).

Analysis of customer accounts by economic sector is presented below:

	<b>30 September 2011</b>	<b>31 December 2010</b>
Individuals	124,563	118,629
Investment and asset management companies	51,413	38,351
Regional and local budgets funds	40,945	27,320
Industrial manufacturing	22,664	19,922
Wholesale trade	17,684	13,314
Services	16,498	16,633
Construction of industrial real estate	12,760	14,285
Operations with real estate	12,206	4,540
Insurance	8,323	9,249
Precious metals extraction	5,806	5,767
Energy	5,493	9,141
Science	5,373	6,459
Transport and communication	4,576	12,577
Brokerage and dealing in securities	4,063	1,116
Leasing	3,203	2,903
Construction of commercial real estate	2,564	3,183
Retail trade	2,025	3,887
Agriculture	426	384
Housing construction	45	108
Other	7,531	5,608
<b>Total customer accounts</b>	<b>348,161</b>	<b>313,376</b>

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 September 2011 and 31 December 2010 are presented as follows:

	<b>30 September 2011</b>		<b>31 December 2010</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Corporate shares	4,013	4,707	1,116	1,786
OFZ bonds	50	52	-	-
<b>Total</b>	<b>4,063</b>	<b>4,759</b>	<b>1,116</b>	<b>1,786</b>

## 17. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	<b>30 September 2011</b>	<b>31 December 2010</b>
Bonds issued in local market	17,821	16,678
Eurobonds due in 2013	12,589	12,167
Eurobonds due in 2012	5,921	5,567
<b>Total Bonds and Eurobonds issued</b>	<b>36,331</b>	<b>34,412</b>

Bonds and Eurobonds as at 30 September 2011 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>30 September 2011</u>
<b>Bonds issued</b>					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,042
NOMOS, BO-01	Roubles	2011	2014	7.00%	4,884
NOMOS, 11th issue	Roubles	2009	2014	7.40%	3,739
NOMOS, 9th issue	Roubles	2008	2013	6.25%	2,124
1st issue	Roubles	2008	2011	7.00%	1,693
2 <sup>nd</sup> issue	Roubles	2010	2013	6.25%	339
<b>Total bonds issued</b>					<b>17,821</b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,589
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,921
<b>Total Eurobonds issued</b>					<b>18,510</b>
<b>Total bonds and Eurobonds issued</b>					<b>36,331</b>

Bonds and Eurobonds as at 31 December 2010 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2010</u>
<b>Bonds issued</b>					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	4,854
NOMOS, 9th issue	Roubles	2008	2013	7.00%	3,770
2 <sup>nd</sup> issue	Roubles	2010	2013	7.85%	2,379
NOMOS, 11th issue	Roubles	2009	2014	7.40%	2,315
NOMOS, 8th issue	Roubles	2008	2011	9.50%	1,693
1st issue	Roubles	2008	2011	7.00%	1,667
<b>Total bonds issued</b>					<b>16,678</b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,167
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,567
<b>Total Eurobonds issued</b>					<b>17,734</b>
<b>Total bonds and Eurobonds issued</b>					<b>34,412</b>

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2012 and 2013.

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants during the periods ended 30 September 2011 and 31 December 2010.

## 18. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 30 September 2011:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>30 September 2011</b>
Subordinated bonds	US Dollars	2010	2015	8.75%	11,500
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	4,139
Subordinated bonds	US Dollars	2007	2018	11.00%	3,468
Subordinated loan	Roubles	2009	2019	6.50%	1,534
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	36
Subordinated loan	Roubles	2007	2014	10.00%	20
					<b>31,741</b>

The following table provides information on subordinated debt as at 31 December 2010:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>31 December 2010</b>
Subordinated bonds	US Dollars	2010	2015	8.75%	10,750
Subordinated loan	Roubles	2009	2019	8.00%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	3,863
Subordinated bonds	US Dollars	2007	2018	11.00%	3,263
Subordinated loan	Roubles	2009	2019	6.50%	1,493
Subordinated loan	Roubles	2010	2021	9.25%	1,500
Subordinated loan	Roubles	2007	2015	7.85%	650
Subordinated loan	Roubles	2008	2015	7.75%	436
Subordinated loan	Roubles	2010	2016	6.00%	61
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2006	2013	10.00%	39
Subordinated loan	Roubles	2010	2016	8.00%	38
Subordinated loan	Roubles	2009	2016	11.30%	34
Subordinated loan	Roubles	2007	2014	10.00%	19
					<b>27,091</b>

## 19. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	<b>Ordinary shares (Number)</b>	<b>Nominal amount (RUB million)</b>	<b>Preference shares (Number)</b>	<b>Nominal amount (RUB million)</b>
<b>Issued and fully paid</b>				
<b>31 December 2009</b>	<b>81,984,861</b>	<b>4,099</b>	<b>12,100,000</b>	<b>605</b>
<b>30 September 2010</b>	<b>81,984,861</b>	<b>4,099</b>	<b>12,100,000</b>	<b>605</b>
<b>31 December 2010</b>	<b>86,845,973</b>	<b>4,342</b>	<b>2,420,000</b>	<b>121</b>
Reacquired	-	-	(2,420,000)	(121)
Issued	5,576,397	279	-	-
<b>30 September 2011</b>	<b>92,422,370</b>	<b>4,621</b>	<b>-</b>	<b>-</b>

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Group, to receive non-fixed rate dividend income and to receive property belonging to the Group in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

<b>Authorized</b>	<b>Ordinary shares (Number)</b>	<b>Nominal amount (RUB million)</b>	<b>Preference shares (Number)</b>	<b>Nominal amount (RUB million)</b>
<b>31 December 2009</b>	<b>177,815,139</b>	<b>8,891</b>	<b>48,100,000</b>	<b>2,405</b>
<b>30 September 2010</b>	<b>177,815,139</b>	<b>8,891</b>	<b>48,100,000</b>	<b>2,405</b>
<b>31 December 2010</b>	<b>172,954,027</b>	<b>8,648</b>	<b>48,100,000</b>	<b>2,405</b>
Issued	(5,576,397)	(279)	-	-
<b>30 September 2011</b>	<b>167,377,630</b>	<b>8,369</b>	<b>48,100,000</b>	<b>2,405</b>

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

The Group's subsidiary company LLC "Promgazkomplekt" has repurchased 12,100 million items of the Group's preference shares. The financial result from the deal is recognized in condensed interim consolidated statement of changes in equity. The deal was performed in terms of the Group's organization structure optimization. The Group has no intention to sell back these shares in foreseeable future.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold. The total amount of share premium as at 30 September 2011 was RUB 20,898 million and RUB 15,859 million during the year ended 31 December 2010.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

In April 2011 the Group has performed the initial public offering (IPO) of its shares, followed by issuance of the new shares via closed subscription by the existing shareholders. As a result, the Group has received proceeds of RUB 5,500 million in the new share issue.

The Group has recognized transaction costs related to the issuance of new shares in the amount of RUB 182 million, which are accounted for as a deduction from share premium. Net share capital issued comprised RUB 5,318 million. The amount of transaction costs related to the listing of the existing shares comprised RUB 215 million and was recorded within operating expenses in the condensed interim consolidated income statement (see Note 8).

## 20. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed interim consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 September 2011 and 31 December 2010 allowances for guarantees and other off-balance sheet commitments were RUB 621 million and RUB 324 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 30 September 2011 and 31 December 2010 the nominal or contract amounts and risk-weighted amounts were:

	30 September 2011		31 December 2010	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
<b>Contingent liabilities and credit commitments</b>				
Commitments on loans and unused credit lines	89,987	1,395	74,330	18,405
Guarantees issued and similar commitments	104,917	66,785	73,609	73,284
Letters of credit and other contingent commitments related to settlement operations	7,845	3,098	7,626	3,202
<b>Total contingent liabilities and credit commitments</b>	<b>202,749</b>	<b>71,278</b>	<b>155,565</b>	<b>94,891</b>

As at 30 September 2011 and 31 December 2010 letters of credit of RUB 1,650 million and RUB 1,222 million, respectively, were secured by cash deposited in customer accounts (see Note 16).

**Operating leases** – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 30 September 2011 and 31 December 2010 are presented in the table below.

	30 September 2011	31 December 2010
Not later than 1 year	493	405
Later than 1 year and not later than 5 years	1,107	817
Later than 5 years	27	205
<b>Total operating lease</b>	<b>1,627</b>	<b>1,427</b>

**Fiduciary activities** – The Group provides depositary services to its customers. As at 30 September 2011 and 31 December 2010 the Group had customers' securities of 13,235,666,568 items, and 2,413,913,716,332 items, respectively, in its nominal holder's accounts.

As at 30 September 2011 and 31 December 2010 the Group kept in its vault 2,669 kg of gold bullion, 6,811 kg of silver bullion, 75 kg of palladium bullion, 15 kg of platinum bullion, and 2,580 kg of gold bullion, 6,413 kg of silver bullion, 29 kg of palladium bullion, 75 kg of platinum bullion respectively, owned by the Group's customers.



As at 30 September 2011 and 31 December 2010 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 25,047 million and RUB 32,905 million, respectively, which are not recognized in the condensed interim consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these condensed interim consolidated financial statements.

**Taxation** – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial statements.

**Pensions and retirement plans** – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the nine months ended 30 September 2011 and 2010 the Group made payments to the non-government pension fund of RUB 3 million and RUB 2 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

**Operating Environment** – The Group's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Russian Federation and the Russian Federation economy in general.

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected the Russian Federation financial and capital markets in 2008 and 2009 has receded and the Russian Federation economy returned to growth in 2010 and 2011. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Russian Federation economy, adversely affect the Group's access to capital and cost of capital or the Group and, more generally, its business, results of operations, financial condition and prospects.

The Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation), which for the nine months ended 30 September 2011 and 2010 was 4.7% and 3.2%, respectively.

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian Federation economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during the first nine months of 2011 and 2010.

During the period starting from the 1 January 2011 to 30 September 2011 the Central Bank of the Russian Federation has established new regulatory requirement applied to the minimum reserve deposits with the CBR. New ratios for minimum reserve deposits with the CBR increased from 2.5%, which was effective as at 31 December 2010, to 5.5%-4.0% during the nine month ended 30 September 2011.

## **21. SEGMENT REPORTING**

The Group has restated the segments as at 30 September 2010 and for the periods then ended to align with the information that is provided to the Chief Operating Decision Maker.

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance, where the key measure of segment's performance is its profit before taxation.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Nine months ended 30 September 2011 Total
External interest income	23,137	2,400	4,692	6,970	110	-	37,309
External interest expense	(5,163)	(291)	(4,753)	(3,544)	(3,400)	-	(17,151)
Internal funding costs/revenues from Central treasury	(6,738)	(188)	3,389	1,034	2,496	7	-
<b>Net interest income</b>	<b>11,236</b>	<b>1,921</b>	<b>3,328</b>	<b>4,460</b>	<b>(794)</b>	<b>7</b>	<b>20,158</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(2,172)	(151)	(152)	35	-	(1)	(2,441)
<b>Net interest income after provision</b>	<b>9,064</b>	<b>1,770</b>	<b>3,176</b>	<b>4,495</b>	<b>(794)</b>	<b>6</b>	<b>17,717</b>
Fee and commission income	1,889	864	2,458	362	14	1	5,588
Fee and commission expense	(99)	(35)	(952)	(175)	(81)	-	(1,342)
Trading and foreign exchange results	691	43	212	(2,538)	900	-	(692)
Other operating income	124	97	129	(500)	546	188	584
Net result from other segments*	(125)	(13)	33	155	(50)	-	-
<b>Total operating income before impairment losses and provision</b>	<b>11,544</b>	<b>2,727</b>	<b>5,056</b>	<b>1,799</b>	<b>535</b>	<b>195</b>	<b>21,856</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	(55)	(89)	(11)	(183)	-	(193)	(531)
Operating expense	(2,996)	(1,761)	(4,538)	(847)	(224)	(2,121)	(12,487)
<b>Profit before taxation</b>	<b>8,493</b>	<b>877</b>	<b>507</b>	<b>769</b>	<b>311</b>	<b>(2,119)</b>	<b>8,838</b>
Income tax	-	-	-	-	-	(1,891) <sup>†</sup>	(1,891)
<b>Profit for the period</b>	<b>8,493</b>	<b>877</b>	<b>507</b>	<b>769</b>	<b>311</b>	<b>(4,010)</b>	<b>6,947</b>
Depreciation and amortization expense	(277)	(162)	(532)	(53)	(14)	(160)	(1,198)
Capital expenditures	221	130	388	45	12	130	926

\* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

† Income tax represents unallocated income tax expense

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	30 September 2011 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	-	-	8,879	18	13,333	9	22,239
Minimum reserve deposits with CBR	-	-	-	-	5,710	-	5,710
Precious metals	6,412	-	23	-	-	-	6,435
Financial assets at fair value through profit or loss	728	-	-	72,290	-	-	73,018
Loans and advances to banks and other financial institutions	6	-	1,637	31,855	17,435	-	50,933
Loans to customers	341,310	26,749	52,265	34,330	1	30	454,685
Investments available-for-sale	5,620	-	-	4,207	3	-	9,830
Investments held to maturity	-	-	-	560	-	-	560
Property, plant and equipment	2,475	1,456	4,387	500	612	1,435	10,865
Intangible assets	456	259	1,835	61	14	348	2,973
Goodwill	-	-	-	-	-	598	598
Other assets	2,439	92	333	1,025	66	2,435	6,390
<b>TOTAL ASSETS</b>	<b>359,446</b>	<b>28,556</b>	<b>69,359</b>	<b>144,846</b>	<b>37,174</b>	<b>4,855</b>	<b>644,236</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	66	-	-	9,262	-	-	9,328
Due to banks and the Central Bank of the Russian Federation	16,238	3,678	6,237	94,840	-	-	120,993
Customer accounts	173,654	18,883	124,984	7,532	23,076	32	348,161
Bonds and Eurobonds	-	-	-	17,820	18,511	-	36,331
Promissory notes issued	10,369	443	89	11,792	-	-	22,693
Deferred income tax liabilities	-	-	-	-	-	996	996
Other liabilities	723	141	436	309	29	2,292 *	3,930
Subordinated debt	-	-	-	-	31,741	-	31,741
<b>TOTAL LIABILITIES</b>	<b>201,050</b>	<b>23,145</b>	<b>131,746</b>	<b>141,555</b>	<b>73,357</b>	<b>3,320</b>	<b>574,173</b>

\* Includes tax liabilities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Nine months ended 30 September 2010 Total
External interest income	14,652	817	1,320	3,826	1,073	-	21,688
External interest expense	(2,712)	(52)	(3,595)	(1,936)	(2,991)	-	(11,286)
Internal funding costs/revenues from Central treasury	(6,982)	(335)	2,865	225	4,218	9	-
<b>Net interest income</b>	<b>4,958</b>	<b>430</b>	<b>590</b>	<b>2,115</b>	<b>2,300</b>	<b>9</b>	<b>10,402</b>
Provision for impairment losses on interest bearing assets	(3,195)	(39)	(201)	(139)	(5)	-	(3,579)
<b>Net interest income after provision</b>	<b>1,763</b>	<b>391</b>	<b>389</b>	<b>1,976</b>	<b>2,295</b>	<b>9</b>	<b>6,823</b>
Fee and commission income	1,218	208	318	(41)	(23)	-	1,680
Fee and commission expense	(69)	-	(87)	(64)	(36)	-	(256)
Trading and foreign exchange results	452	19	24	2,197	(218)	-	2,474
Other operating income	1,287	31	76	92	43	44	1,573
Net result from other segments*	(115)	-	(2)	198	(81)	-	-
<b>Total operating income before impairment losses and provision</b>	<b>4,536</b>	<b>649</b>	<b>718</b>	<b>4,358</b>	<b>1,980</b>	<b>53</b>	<b>12,294</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	491	(24)	(14)	(298)	-	(12)	143
Operating expenses and Impairment of buildings and constructions	(1,837)	(902)	(1,525)	(504)	(57)	(701)	(5,526)
<b>Profit before taxation</b>	<b>3,190</b>	<b>(277)</b>	<b>(821)</b>	<b>3,556</b>	<b>1,923</b>	<b>(660)</b>	<b>6,911</b>
Income tax	-	-	-	-	-	(1,444) <sup>†</sup>	(1,444)
<b>Profit for the period</b>	<b>3,190</b>	<b>(277)</b>	<b>(821)</b>	<b>3,556</b>	<b>1,923</b>	<b>(2,104)</b>	<b>5,467</b>
Depreciation and amortization expense	(125)	(60)	(101)	(34)	(62)	-	(382)
Capital expenditures	376	180	297	115	18	8	994

\*Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

<sup>†</sup>Income tax represents unallocated income tax expense

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2010 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	-	-	10,076	12,898	17,512	3	40,489
Minimum reserve deposits with CBR	342	71	385	255	1,764	-	2,817
Precious metals	4,661	-	16	-	-	-	4,677
Financial assets at fair value through profit or loss	54	-	-	55,468	-	-	55,522
Loans and advances to banks and other financial institutions	110	-	1,078	34,151	5,891	347	41,577
Loans to customers	248,580	19,129	36,533	35,051	-	9	339,302
Investments available-for-sale	5,226	-	-	20,007	3	527	25,763
Investments held to maturity	-	-	-	852	-	-	852
Property, plant and equipment	3,296	1,644	3,802	1,187	169	878	10,976
Goodwill	-	-	-	-	-	598	598
Intangible assets	549	147	962	390	106	448	2,602
Other assets	1,673	134	121	1,596	-	1,518	5,042
<b>TOTAL ASSETS</b>	<b>264,491</b>	<b>21,125</b>	<b>52,973</b>	<b>161,855</b>	<b>25,445</b>	<b>4,328</b>	<b>530,217</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	9	-	-	996	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	9,821	2,500	579	43,926	3,013	-	59,839
Customer accounts	146,653	21,989	120,088	2,684	21,949	13	313,376
Bonds and Eurobonds	-	-	-	16,678	17,734	-	34,412
Promissory notes issued	12,971	77	41	20,079	-	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	764	64	169	23	2	1,187	2,209
Subordinated debt	-	-	-	-	27,091	-	27,091
<b>TOTAL LIABILITIES</b>	<b>170,218</b>	<b>24,630</b>	<b>120,877</b>	<b>84,386</b>	<b>69,789</b>	<b>2,382</b>	<b>472,282</b>

\* Includes tax liabilities

## 22. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of investments available-for-sale and property, plant and equipment revaluation reserve.

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio for the reporting periods ended 30 September 2011 and 31 December 2010:

	<b>30 September 2011</b>	<b>31 December 2010</b>
Tier 1 capital	68,893	56,614
Tier 2 capital	29,849	26,660
<b>Total regulatory capital</b>	<b>98,742</b>	<b>83,274</b>
Risk-weighted assets:		
Credit risks	559,767	478,827
Market risks	61,685	54,500
<b>Total risk-weighted assets</b>	<b>621,452</b>	<b>533,327</b>
Basel ratio	15.89%	15.61%
Tier 1	11.09%	10.62%

During the nine months ended 30 September 2011 the Group changed the credit conversion factors applied to customer guarantees in the calculation of risk-weighted assets from 100% to 50% as such guarantees bear lower credit risk compared to direct credit substitutes. The management estimated the impact of this change on the comparative data as immaterial, so the change was not performed retrospectively.

As at 30 September 2011 and 31 December 2010 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group's liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 30 September 2011 and 31 December 2010, the Group complied with Basel capital requirements.

The Bank's overall capital management policy is aimed at the dynamic optimization of capital required for the Bank's expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders' vision and strategy of long-term Bank development.

## 23. RISK MANAGEMENT POLICY

### Risk management system

#### Market risk

Market risk – the risk of losses due to adverse fluctuations in market value of financial instruments (including derivatives), foreign exchange rates, the cost of precious metals and interest rates.

Market risk includes price, currency and interest rate risk. The Group incurs foreign currency risk due to the presence of open positions in currencies and precious metals, interest rate and stock price—with the opening of positions in interest rate and equity financial instruments and risk of general and specific market movements.

Market risks are managed by the Financial markets department, Precious metals department, Treasury department and Financial and Market risk department.

Department of Market and Operational Risk assesses the Group's exposure to foreign currency and price risk. Treasury department assesses interest rate sensitivity and sets guidelines for the interest rate risks.

#### Value-at-risk methodology adopted by the Group for risk measurement purposes

The Group applies Value-at-Risk (VaR) methodology to assess its exposure to currency and price risk. VaR is the maximum volume of loss for the concerned position of financial instrument/ portfolio/ transaction that may arise during a given period of time with a given probability. The loss value is estimated based on statistical and probabilistic analysis.

The Group assumed the accuracy of assessing the maximum value at risk (confidence level) at 99%.

To exercise control over the adequacy of measuring the above exposures the Group uses backtesting procedure that allows determining the extent to which the risk assessment model corresponds to the real market situation.

As part of works to prepare these condensed interim consolidated financial statements the Financial and Market risk department assessed VaR with regard to the Group's currency position in terms of key currencies and key precious metals and the Group's market (price) risk inherent in the securities portfolio as at 30 September 2011 and 31 December 2010 based on the data in condensed interim consolidated financial statements.

RUB thousand	30 September 2011			
	minimum	average	maximum	as of the period end
Currency and precious metals risk	22	74	479	479
Fixed income securities price risk	377	540	1,881	1,881
Equity securities price risk	201	317	606	340

RUB thousand	31 December 2010			
	minimum	average	maximum	as of the year end
Currency and precious metals risk	15	191	348	56
Fixed income securities price risk	278	694	1,559	896
Equity securities price risk	49	145	422	94



Although VaR is rather efficient as a risk measurement method this efficiency may be limited, especially in the conditions of low liquidity markets:

- Use of historical data to assess future events fails to take into account all the scenarios possible, especially extraordinary ones;
- Use of 99% confidence level disregards losses that may occur outside of this confidence range;
- VaR calculated based on business day results disregards fluctuations that could have taken place throughout the day.

In view of the above, the Group applies other risk measurement methods as well: gap analysis for interest rate risk, and net interest income sensitivity analysis.

### Foreign currency and precious metals risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange and precious metals exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 30 September 2011 is presented in the table below:

	<b>RUB</b>	<b>USD</b> 1 USD = RUB	<b>Euro</b> 1 EUR = RUB	<b>Gold</b> 1 ounce = RUB	<b>Other</b>	<b>30 September 2011 Total</b>
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	20,793	722	710	-	14	22,239
Minimum reserve deposits with the Central Bank of the Russian Federation	5,710	-	-	-	-	5,710
Financial assets at fair value through profit or loss	35,849	35,970	511	673	15	73,018
Loans and advances to banks and other financial institutions	17,339	25,962	6,442	30	1,160	50,933
Loans to customers	280,802	155,911	17,857	-	115	454,685
Investments available-for-sale	7,040	2,676	114	-	-	9,830
Investments held to maturity	560	-	-	-	-	560
Other financial assets	1,211	26	122	-	1	1,360
<b>TOTAL FINANCIAL ASSETS</b>	<b>369,304</b>	<b>221,267</b>	<b>25,756</b>	<b>703</b>	<b>1,305</b>	<b>618,335</b>
Precious metals	-	-	-	6,043	392	6,435
Property, plant and equipment	10,865	-	-	-	-	10,865
Goodwill	598	-	-	-	-	598
Intangible assets	2,973	-	-	-	-	2,973
Other non-financial assets	4,911	15	10	26	68	5,030
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>19,347</b>	<b>15</b>	<b>10</b>	<b>6,069</b>	<b>460</b>	<b>25,901</b>
<b>TOTAL ASSETS</b>	<b>388,651</b>	<b>221,282</b>	<b>25,766</b>	<b>6,772</b>	<b>1,765</b>	<b>644,236</b>

	<b>RUB</b>	<b>USD</b> 1 USD = RUB 31.8751	<b>Euro</b> 1 EUR = RUB 43.3979	<b>Gold</b> 1 ounce = RUB 51,637.66	<b>Other</b>	<b>30 September 2011 Total</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	585	8,261	400	46	36	9,328
Due to banks and the Central Bank of the Russian Federation	56,217	30,289	19,587	13,989	911	120,993
Customer accounts	302,028	21,881	16,565	6,592	1,095	348,161
Bonds and Eurobonds	17,821	18,510	-	-	-	36,331
Promissory notes issued	20,818	249	1,626	-	-	22,693
Other financial liabilities	1,907	155	88	1	6	2,157
Subordinated debt	12,634	19,107	-	-	-	31,741
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>412,010</b>	<b>98,452</b>	<b>38,266</b>	<b>20,628</b>	<b>2,048</b>	<b>571,404</b>
Deferred income tax liabilities	996	-	-	-	-	996
Other non-financial liabilities	1,755	10	8	-	-	1,773
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>2,751</b>	<b>10</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>2,769</b>
<b>TOTAL LIABILITIES</b>	<b>414,761</b>	<b>98,462</b>	<b>38,274</b>	<b>20,628</b>	<b>2,048</b>	<b>574,173</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>(26,110)</b>	<b>122,820</b>	<b>(12,508)</b>	<b>(13,856)</b>	<b>(283)</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(107,256)	(202,277)	(13,407)	(2,472)	(1,590)	(327,002)
Receivables under forward deals	174,377	109,083	25,984	15,520	2,038	327,002
Payables under spot deals	(6,560)	(34,995)	(2,280)	(255)	(60)	(44,150)
Receivables under spot deals	32,540	8,655	2,827	58	70	44,150
Payables under futures contracts	-	(8,925)	-	-	-	(8,925)
Receivables under futures contracts	8,925	-	-	-	-	8,925
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>102,026</b>	<b>(128,459)</b>	<b>13,124</b>	<b>12,851</b>	<b>458</b>	
<b>TOTAL OPEN POSITION</b>	<b>75,916</b>	<b>(5,639)</b>	<b>616</b>	<b>(1,005)</b>	<b>175</b>	
<b>CONTINGENT LIABILITIES AND CREDIT COMMITMENTS</b>	<b>168,986</b>	<b>23,853</b>	<b>9,521</b>	<b>-</b>	<b>389</b>	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2010 is presented in the table below:

	<b>RUB</b>	<b>USD</b> 1 USD = RUB 30.4769	<b>Euro</b> 1 EUR = RUB 40.3331	<b>Gold</b> 1 ounce = RUB 42,980.05	<b>Other</b>	<b>31 December 2010 Total</b>
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	39,007	791	682	-	9	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817	-	-	-	-	2,817
Financial assets at fair value through profit or loss	32,339	22,844	281	54	4	55,522
Loans and advances to banks and other financial institutions	14,174	16,497	10,526	4	376	41,577
Loans to customers	219,304	103,573	16,285	-	140	339,302
Investments available-for-sale	21,096	4,559	108	-	-	25,763
Investments held to maturity	852	-	-	-	-	852
Other financial assets	1,578	15	111	-	1	1,705
<b>TOTAL FINANCIAL ASSETS</b>	<b>331,167</b>	<b>148,279</b>	<b>27,993</b>	<b>58</b>	<b>530</b>	<b>508,027</b>
Precious metals	-	-	-	4,189	488	4,677
Property, plant and equipment	10,976	-	-	-	-	10,976
Goodwill	598	-	-	-	-	598
Intangible assets	2,602	-	-	-	-	2,602
Other non-financial assets	3,150	67	22	39	59	3,337
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>17,326</b>	<b>67</b>	<b>22</b>	<b>4,228</b>	<b>547</b>	<b>22,190</b>
<b>TOTAL ASSETS</b>	<b>348,493</b>	<b>148,346</b>	<b>28,015</b>	<b>4,286</b>	<b>1,077</b>	<b>530,217</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	592	271	126	12	4	1,005
Due to banks and the Central Bank of the Russian Federation	17,820	20,892	20,485	583	59	59,839
Customer accounts	266,837	27,959	14,577	3,338	665	313,376
Bonds and Eurobonds	16,678	17,734	-	-	-	34,412
Promissory notes issued	31,164	621	1,383	-	-	33,168
Other financial liabilities	1,240	12	-	-	-	1,252
Subordinated debt	9,215	17,876	-	-	-	27,091
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>343,546</b>	<b>85,365</b>	<b>36,571</b>	<b>3,933</b>	<b>728</b>	<b>470,143</b>
Deferred income tax liabilities	1,182	-	-	-	-	1,182
Other non-financial liabilities	948	2	7	-	-	957
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>2,130</b>	<b>2</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>2,139</b>
<b>TOTAL LIABILITIES</b>	<b>345,676</b>	<b>85,367</b>	<b>36,578</b>	<b>3,933</b>	<b>728</b>	<b>472,282</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>2,817</b>	<b>62,979</b>	<b>(8,563)</b>	<b>353</b>	<b>349</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(49,985)	(119,585)	(14,341)	(3,326)	(1,685)	(188,922)
Receivables under forward deals	105,201	56,570	22,477	3,100	1,574	188,922
Payables under spot deals	(3,830)	(5,023)	(244)	-	(14)	(9,111)
Receivables under spot deals	4,943	3,910	244	-	14	9,111
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>56,329</b>	<b>(64,128)</b>	<b>8,136</b>	<b>(226)</b>	<b>(111)</b>	
<b>TOTAL OPEN POSITION</b>	<b>59,146</b>	<b>(1,149)</b>	<b>(427)</b>	<b>127</b>	<b>238</b>	
<b>CONTINGENT LIABILITIES AND CREDIT COMMITMENTS</b>	<b>126,025</b>	<b>18,772</b>	<b>10,532</b>	<b>-</b>	<b>236</b>	

The Group's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar/Euro will affect the carrying value of the Group's monetary assets and liabilities. Such changes may also affect the Group's ability to invest in non-monetary assets as measured in US dollars in these condensed interim consolidated financial statements.

### **Liquidity risk**

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The below data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russian Federation. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

While financial assets at fair value through profit or loss are shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are re-priced only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 30 September 2011:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 September 2011 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	22,239	-	-	-	-	-	22,239
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	5,710	5,710
Precious metals	6,435	-	-	-	-	-	6,435
Financial assets at fair value through profit or loss	66,330	3,582	194	2,913	-	-	73,018
Loans and advances to banks and other financial institutions	36,472	2,695	11,667	100	-	-	50,933
Loans to customers	38,991	75,988	172,936	137,484	29,284	-	454,685
Investments available-for-sale	717	70	1,057	654	1,315	6,016	9,830
Investments held to maturity	-	-	-	535	25	-	560
Property, plant and equipment	-	-	-	-	-	10,865	10,865
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	2,973	2,973
Other assets	2,001	315	3,337	426	166	145	6,390
<b>TOTAL ASSETS</b>	<b>173,186</b>	<b>82,651</b>	<b>189,190</b>	<b>142,112</b>	<b>30,790</b>	<b>26,307</b>	<b>644,236</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	1,429	4,731	1,729	1,438	-	-	9,328
Due to banks and the Central Bank of the Russian Federation	62,641	18,252	25,314	12,578	2,207	-	120,993
Customer accounts	153,264	48,841	92,164	53,772	120	-	348,161
Bonds and Eurobonds	3,465	268	147	27,451	4,999	-	36,331
Promissory notes issued	2,958	7,588	10,536	1,611	1	-	22,693
Deferred income tax liabilities	-	-	-	-	-	996	996
Other liabilities	3,100	196	605	18	2	9	3,930
Subordinated debt	-	97	-	11,639	20,005	-	31,741
<b>TOTAL LIABILITIES</b>	<b>226,857</b>	<b>79,975</b>	<b>130,497</b>	<b>108,506</b>	<b>27,333</b>	<b>1,005</b>	<b>574,173</b>
Liquidity gap	(53,671)	2,676	58,693	33,606	3,457	-	-

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2010:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	40,489	-	-	-	-	-	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	2,817	2,817
Precious metals	4,677	-	-	-	-	-	4,677
Financial assets at fair value through profit or loss	53,166	837	1,125	394	-	-	55,522
Loans and advances to banks and other financial institutions	28,737	3,968	6,781	2,091	-	-	41,577
Loans to customers	48,120	28,774	107,830	126,899	27,679	-	339,302
Investments available-for-sale	1,845	6,959	3,938	9,734	3,287	-	25,763
Investments held to maturity	-	-	-	827	25	-	852
Property, plant and equipment	-	-	-	-	-	10,976	10,976
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	2,602	2,602
Other assets	1,792	303	2,714	121	98	14	5,042
<b>TOTAL ASSETS</b>	<b>178,826</b>	<b>40,841</b>	<b>122,388</b>	<b>140,066</b>	<b>31,089</b>	<b>17,007</b>	<b>530,217</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	289	120	422	174	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	25,613	7,233	15,237	8,428	3,328	-	59,839
Customer accounts	135,438	46,614	109,545	21,771	8	-	313,376
Bonds and Eurobonds	80	1,835	1,874	25,911	4,712	-	34,412
Promissory notes issued	2,682	4,327	24,395	1,761	3	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	787	258	888	273	3	-	2,209
Subordinated debt	-	-	272	11,749	15,070	-	27,091
<b>TOTAL LIABILITIES</b>	<b>164,889</b>	<b>60,387</b>	<b>152,633</b>	<b>70,067</b>	<b>23,124</b>	<b>1,182</b>	<b>472,282</b>
Liquidity gap	13,937	(19,546)	(30,245)	69,999	7,965	-	-

As at 30 September 2011 and 31 December 2010 the overdraft and overnight credit agreements with the Central Bank of the Russian Federation facilities were not used.

## 24. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 *Related party disclosures*, represent:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- (f) Parties with joint control over the Group;
- (g) Joint ventures in which the Group is a venture; and
- (h) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

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

The Group had the following transactions outstanding as at 30 September 2011 and 31 December 2010 with related parties:

	30 September 2011			31 December 2010		
	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption
<b>Financial assets at fair value through profit or loss</b>	<b>3,089</b>		<b>73,018</b>	<b>2,902</b>		<b>55,522</b>
Debt securities						
- companies controlled by shareholders	3,055	7.44%		2,703	7.23%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	34			199		
<b>Loans and advances to banks and other financial institutions</b>	<b>117</b>		<b>50,933</b>	<b>17</b>		<b>41,577</b>
Loans to banks						
- companies controlled by shareholders	100	5.13%		-	-	
Correspondent accounts with banks						
- companies controlled by shareholders	17			17		
<b>Loans to customers, gross</b>	<b>29,114</b>		<b>473,341</b>	<b>27,244</b>		<b>354,860</b>
- entities under common control	8,434	11.05%		9,521	10.30%	
- companies controlled by shareholders	20,680	9.75%		17,723	10.06%	
<b>Allowance for impairment of loans to customers</b>	<b>(513)</b>		<b>(18,656)</b>	<b>(83)</b>		<b>(15,558)</b>
- companies controlled by shareholders	(513)			(83)		
<b>Investments available-for-sale</b>	<b>356</b>		<b>9,830</b>	<b>-</b>		<b>25,763</b>
Debt securities						
- companies controlled by shareholders	6	7.95%		-		
Equity securities						
- entities under common control	350			-		
<b>Other assets</b>	<b>15</b>		<b>6,390</b>	<b>-</b>		<b>5,042</b>
- companies controlled by shareholders	15			-		
<b>Financial liabilities at fair value through profit or loss</b>	<b>4</b>		<b>9,328</b>	<b>15</b>		<b>1,005</b>
- companies controlled by shareholders	4			15		
<b>Due to banks and the Central Bank of the Russian Federation</b>	<b>5,146</b>		<b>120,993</b>	<b>1,691</b>		<b>59,839</b>
Time deposits from banks						
- companies controlled by shareholders	5,106	4.07%		1,527	4.16%	
Correspondent accounts of other banks						
- companies controlled by shareholders	40			164		



	30 September 2011			31 December 2010		
	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption
<b>Customer accounts</b>	<b>12,344</b>		<b>348,161</b>	<b>13,016</b>		<b>313,376</b>
Time deposits						
- shareholders of the Group	228	3.90%		1,226	8.21%	
- entities under common control	-	-		43	5.79%	
- companies controlled by shareholders	9,299	6.83%		8,022	7.45%	
Repayable on demand						
- shareholders of the Group	1			16		
- entities under common control	1			54		
- companies controlled by shareholders	2,815			3,655		
<b>Other liabilities</b>	<b>163</b>		<b>3,930</b>	<b>34</b>		<b>2,209</b>
- key management personnel	154			22		
- companies controlled by shareholders	9			12		
<b>Subordinated debt</b>	<b>6,000</b>		<b>31,741</b>	<b>2,586</b>		<b>27,091</b>
- shareholders of the Group	6,000	12.00%		1,500	6.74%	
- companies controlled by shareholders	-			1,086	6.34%	
<b>Commitments on loans and unused credit lines</b>	<b>5,484</b>		<b>89,987</b>	<b>9,005</b>		<b>74,330</b>
- shareholders of the Group	-			1		
- companies controlled by shareholders	5,484			9,004		
<b>Guarantees issued and similar commitments</b>	<b>501</b>		<b>104,917</b>	<b>409</b>		<b>73,609</b>
- companies controlled by shareholders	501			409		
<b>Letters of credit and other contingent commitments related to settlement operations</b>	<b>28</b>		<b>7,845</b>	-		<b>7,626</b>
- companies controlled by shareholders	28			-		

	Nine months ended 30 September 2011		Nine months ended 30 September 2010	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
<b>Key management personnel compensation:</b>		<b>6,314</b>		<b>2,931</b>
- salary	197		59	
- bonuses	320		123	
- contribution to non-government pension fund	1		1	

	Nine months ended 30 September 2011		Nine months ended 30 September 2010	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>37,309</b>		<b>21,688</b>
- entities under common control	459		-	
- companies controlled by shareholders	1,599		952	
<b>Interest expense</b>		<b>(17,151)</b>		<b>(11,286)</b>
- shareholders of the Group	(99)		(397)	
- entities under common control	(106)		(6)	
- companies controlled by shareholders	(360)		(570)	
<b>Gain on remeasurement of cash flows on interest bearing assets acquired in business combination</b>		<b>3,990</b>		<b>-</b>
- entities under common control	197		-	
- companies controlled by shareholders	1,157		-	
<b>Allowance for impairment losses on interest bearing assets</b>		<b>(6,431)</b>		<b>(3,579)</b>
- companies controlled by shareholders	(430)		(14)	
<b>Trading (loss)/income</b>		<b>(604)</b>		<b>2,474</b>
- shareholders of the Group	13		(82)	
- companies controlled by shareholders	(5)		326	
<b>Fees and commission income</b>		<b>5,588</b>		<b>1,680</b>
- shareholders of the Group	1		-	
- companies controlled by shareholders	106		69	
<b>Fees and commission expense</b>		<b>(1,342)</b>		<b>(256)</b>
- entities under common control	(7)		(20)	
- companies controlled by shareholders	-		(3)	
<b>Other income</b>		<b>472</b>		<b>555</b>
- entities under common control	-		1	
- companies controlled by shareholders	17		3	
<b>Operating expenses</b>		<b>(12,486)</b>		<b>(5,526)</b>
- key management personnel	(523)		(182)	
- entities under common control	-		(3)	
- companies controlled by shareholders	(75)		-	

	Three months ended 30 September 2011		Three months ended 30 September 2010	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
<b>Key management personnel compensation:</b>		<b>2,106</b>		<b>1,060</b>
- salary	(73)		9	
- bonuses	(73)		106	

	Three months ended 30 September 2011		Three months ended 30 September 2010	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>13,008</b>		<b>7,009</b>
- entities under common control	429		-	
- companies controlled by shareholders	408		249	
<b>Interest expense</b>		<b>(5,799)</b>		<b>(3,275)</b>
- shareholders of the Group	(12)		(15)	
- entities under common control	-		(1)	
- companies controlled by shareholders	(180)		(168)	
<b>Gain on remeasurement of cash flows on interest bearing assets acquired in business combination</b>		<b>1,342</b>		<b>-</b>
- companies controlled by shareholders	400		-	
<b>Allowance for impairment losses on interest bearing assets</b>		<b>(2,228)</b>		<b>(1,368)</b>
- companies controlled by shareholders	(331)		29	
<b>Trading (loss)/income</b>		<b>(2,640)</b>		<b>626</b>
- shareholders of the Group	(6)		17	
- companies controlled by shareholders	661		126	
<b>Fees and commission income</b>		<b>2,185</b>		<b>628</b>
- companies controlled by shareholders	41		18	
<b>Fees and commission expense</b>		<b>(540)</b>		<b>(99)</b>
- entities under common control	-		(10)	
<b>Other income</b>		<b>147</b>		<b>216</b>
- shareholders of the Group	-		-	
- companies controlled by shareholders	4		2	
<b>Operating expenses</b>		<b>(4,100)</b>		<b>(1,972)</b>
- key management personnel	(146)		(115)	
- companies controlled by shareholders	(17)		-	