Commercial Bank Garant-Invest (CJSC)

Financial Statements
for the Year Ended 31 December 2011
and Independent Auditor's Report

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Tel: +7 495 797 56 65
Fax: +7 495 797 56 60
reception@bdo.ru
www.bdo.ru

Section 11, Build. 1,
125, Warshavskoe shosse,
Moscow, 117587, Russia

Independent Auditor's Report

To the Shareholders and the Board of Directors of Commercial Bank Garant-Invest (Closed joint stock company)

We have audited the accompanying financial statements of Commercial Bank Garant-Invest (Closed joint stock company), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Commercial Bank Garant-Invest (CJSC) as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Denis A. Taradov

Partner

20 April 2012
ZAO BDO

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «БДО» МОСКВА ОГРН 1037739271701

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2011

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the Independent Auditor's Report is made with a view to distinguishing the respective responsibilities of management of Commercial Bank Garant-Invest (CJSC) (the Bank) and those of the independent auditor in relation to the Bank's financial statements.

Management of the Bank is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2011, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Bank's management the financial statements for the year ended 31 December 2011 were authorised for issue on 20 April 2012 by:

E.B. Galichev,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

Commercial Bank Garant-Invest (CJSC)

Moscow, Russian Federation

20 April 2012

	Note	2011	2010
Assets			
Cash and cash equivalents	5	1 513 667	587 615
Mandatory cash balances with the Central Bank of the Russian Federation		106 974	50 223
Financial assets at fair value through profit or loss	6	181 294	30 041
Due from other banks	7	992 696	724 716
Loans to customers	8	4 695 028	5 316 273
Financial assets available for sale	9	359 636	260 896
Premises and equipment	10	129 431	125 291
Other assets	11	19 758	219 505
Current tax assets		2 124	1 269
Total assets		**8 000 608**	**7 315 829**
Liabilities			
Due to other banks	12	102 146	15 811
Customer accounts	13	6 679 340	6 100 121
Debt securities issued	14	98 215	245 038
Other borrowed funds	15	258 143	152 694
Other liabilities	16	10 586	13 367
Deferred tax liabilities	22	49 433	37 406
Total liabilities		**7 197 863**	**6 564 437**
Equity			
Share capital	17	537 040	537 040
Share premium	17	40 295	40 295
Revaluation reserve for premises and equipment	10	99 188	92 781
Fair value reserve for financial assets available for sale		29 099	-
Retained earnings		97 123	81 276
Total equity		**802 745**	**751 392**
Total liabilities and equity		**8 000 608**	**7 315 829**

E.B. Galichev,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

20 April 2012

КБ "Гарант-Инвест" (ЗАО) Закрытое акционерное общество Коммерческий банк "Гарант-Инвест" Москва

Commercial Bank Garant-Invest (CJSC)
Statement of Comprehensive Income for the Year Ended 31 December 2011
(in thousands of Russian Roubles)

	Note	2011	2010
Interest income	19	808 775	715 935
Interest expense	19	(411 125)	(387 151)
Net interest income		**397 650**	**328 784**
Provision for impairment of due from other banks and loans to customers	7, 8	(271 885)	(260 858)
Net interest income after provision for impairment of due from other banks and loans to customers		**125 765**	**67 926**
Gains less losses arising from financial assets at fair value through profit or loss		(8 323)	2 083
Gains less losses arising from financial assets available for sale		13 679	18 049
Gains less losses from dealing in foreign currency		852	5 929
Foreign exchange translation gains less losses		12 491	(9 310)
Fee and commission income	20	66 167	56 640
Fee and commission expense	20	(18 289)	(13 812)
Provision for impairment of other assets	11	193	(318)
Other operating income		4 609	3 324
Operating income		**197 144**	**130 511**
Operating expenses	21	(142 166)	(123 141)
Profit before taxation		**54 978**	**7 370**
Income tax expense	22	(10 926)	(1 472)
Net profit		**44 052**	**5 898**
Other comprehensive income			
Effect of revaluation of premises and equipment	10	8 009	4 700
Effect of revaluation of financial assets available for sale		36 374	-
Income tax relating to components of comprehensive income	23	(8 877)	(940)
Other comprehensive income after taxation		**35 506**	**3 760**
Total comprehensive income for the period		**79 558**	**9 658**

E.B. Galichev,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

20 April 2012

The notes set out on pages 9 to 57 are an integral part of these financial statements.

Commercial Bank Garant-Invest (CJSC)
Statement of Cash Flows for the Year Ended 31 December 2011
(in thousands of Russian Roubles)

	2011	2010
Cash flows from operating activities		
Interest received	806 643	712 775
Interest paid	(414 559)	(378 873)
Gains less losses arising from financial assets at fair value through profit or loss	(909)	4 567
Gains less losses arising from dealing in foreign currency	852	5 929
Fees and commissions received	66 167	56 640
Fees and commissions paid	(18 289)	(13 812)
Other operating income	4 609	3 324
Operating expenses	(135 845)	(114 608)
Income tax paid	(8 631)	(8 948)
Cash flows provided by operating activities before changes in operating assets and liabilities	**300 038**	**266 994**
Net (increase)/decrease in operating assets		
Mandatory cash balances with the Central Bank of the Russian Federation	(56 751)	(23 727)
Financial assets at fair value through profit or loss	(158 667)	(11 328)
Due from other banks	(206 216)	104 108
Loans to customers	431 985	(2 097 472)
Other assets	218 474	(184 670)
Net increase/(decrease) in operating liabilities		
Due to other banks	86 311	(2 208)
Customer accounts	434 079	1 509 956
Debt securities issued	(141 058)	156 208
Other liabilities	(17 915)	(1 104)
Net cash flows from operating activities	**890 280**	**(283 243)**
Cash flows from investing activities		
Purchase of financial assets available for sale (Note 9)	(308 098)	(259 920)
Proceeds from sale of financial assets available for sale	277 101	588 259
Purchase of premises and equipment (Note 13)	(2 756)	(363)
Net cash flows from investing activities	**(33 753)**	**327 976**
Cash flows from financing activities		
Other borrowings	85 205	-
Dividends paid	(28 205)	-
Issue of shares	-	150 000
Net cash flows from financing activities	**57 000**	**150 000**
Effect of exchange rate changes on cash and cash equivalents	12 529	(12 269)
Net change in cash and cash equivalents	**926 056**	**182 464**
Cash and cash equivalents at the beginning of the year (Note 5)	587 611	405 147
Cash and cash equivalents at the end of the year (Note 5)	**1 513 667**	**587 611**

E.B. Galichev,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

20 April 2012

The notes set out on pages 9 to 57 are an integral part of these financial statements.

	Share capital	Share premium	Revaluation reserve for premises and equipment	Revaluation reserve for financial assets available for sale	Retained earnings	Total equity
Balance as at 31 December 2009	**387 040**	**40 295**	**89 021**	**-**	**75 378**	**591 734**
Issue of shares	150 000	-	-	-	-	150 000
Comprehensive income for 2010	-	-	3 760	-	5 898	9 658
Balance as at 31 December 2010	**537 040**	**40 295**	**92 781**	**-**	**81 276**	**751 392**
Dividends for 2010	-	-	-	-	(17 628)	(17 628)
Dividends for the first six months of 2011	-	-	-	-	(10 577)	(10 577)
Comprehensive income for 2011	-	-	6 407	29 099	44 052	79 558
Balance as at 31 December 2011	**537 040**	**40 295**	**99 188**	**29 099**	**97 123**	**802 745**

E.B. Galichev,
Chairman of the Executive Board

N.M. Poletaeva,
Chief Accountant

20 April 2012

1. Principal Activities of the Bank

Commercial Bank Garant-Invest (Closed joint stock company) (the Bank) is a credit institution formed through restructuring of Commercial Bank Garant-Invest (limited liability company) subject to a decision of the general participants' meeting (Minutes No. 19 of 9 June 1999).

The Bank operates subject to License No. 2576 issued by the Central Bank of the Russian Federation (CBR) on 24 September 1999 for conducting banking transactions in Russian Roubles and foreign currency with legal entities and individuals. The Bank also holds licenses issued by the Federal Commission for the Securities Market (FCSM) for securities transactions, including brokerage, dealing and securities management transactions.

The Bank is a member of the Association of Russian Banks, Moscow Interbank Currency Exchange, Moscow International Business Association, International payment systems VISA, MasterCard Worldwide, Diners Club, and also a founder of Non-Commercial Partnership Russian Council of Shopping Centres.

The priority lines of the Bank's business are commercial banking transactions on the territory of the Russian Federation.

The Bank's legal and mailing address is at: 19/1, 1st Kolobovskiy Lane, Moscow, 127051.

Since 15 July 2005 the Bank has been a member of the Obligatory Deposit Insurance System regulated by the state corporation Deposit Insurance Agency.

The average annual number of the Bank's employees in 2011 was 113 (2010: 120).

Below is the information on the Bank's main shareholders:

Shareholder	2011 Ownership (%)	2010 Ownership (%)
CJSC Formulainvest	19.71	19.71
A.Yu. Panfilov	15.77	13.22
G.I. Kozovoy	10.00	10.00
LLC Imeks - Finance	6.35	6.35
A.V. Shepel	5.71	5.71
A.V. Eremeev	5.58	5.58
LLC Monitor-Time	4.39	4.39
S.V. Zavedetskiy	3.65	3.65
I.P. Biryukova	3.51	3.51
E.V. Biryukova	3.51	3.51
V. V. Smirnova	2.79	2.79
Yu. V. Panfilov	2.78	2.78
A.M. Syaglov	2.29	2.29
N.A. Gorbunova	2.24	2.24
T.G. Panfilova	2.11	2.11
V.F. Smirnov	2.08	2.08
O.P. Panfilova	1.42	1.42
A.A. Semenov	1.15	1.15
T.V. Bulavintseva	1.12	1.12
A.A. Busalov	-	1.83
Shareholders with less than a 1% stake in the Bank's share capital	3.84	4.56
Total	**100.00**	**100.00**

As at 31 December 2011, members of the Board of Directors controlled 68 496 097 shares of the Bank or 19.42 % (2010: 59 491 852 shares of the Bank or 16.87%). As at 31 December 2011 and 31 December 2010, the ultimate beneficiary of CJSC Formulainvest is Oleg N. Semenyutin.

2. Operating Environment of the Bank

General

The economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the national currency in most countries outside of the Russian Federation and relatively high inflation rates. The current Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Russia continues development of the legal, tax and administrative infrastructure to comply with the market economy requirements. The economic reforms conducted by the Government are aimed at retooling the Russian economy, development of high-tech productions, enhancement of labour productivity and competitiveness of the Russian products on the world market.

The Russian economy is exposed to market fluctuations and processes taking place in the world economy. The global financial crisis, which started in 2008, led to GDP contraction, instability on the capital markets, growing unemployment and increasing number of bankruptcies among legal entities and individuals.

In 2011 the Russian economy continued its recovery started in 2010 and accompanied by GDP growth, declining unemployment and reduction in inflation rates. Despite certain signs of recovery, future economic growth remains uncertain. During 2011 key exchange indices slid down and most transactions on the stock exchanges were of speculative nature.

On 31 August 2011 Standard & Poor's confirmed the sovereign credit ratings of the Russian Federation: the long- and short-term foreign currency sovereign credit rating was reaffirmed at "BBB/A-3", and the long- and short-term local currency sovereign credit rating was reaffirmed at "BBB+/A-2", stable outlook.

On 2 September 2011 Fitch Ratings confirmed the Russian Federation long-term foreign and local currency ratings at "BBB", positive outlook. On 16 January 2012 Fitch Ratings confirmed the Russian Federation long-term foreign and local currency rating at "BBB" and revised the outlook to stable.

There is an obligatory Deposit Insurance System established in the Russian Federation. According to the deposit insurance legislation, 100% is compensated to the depositor if the deposit amount does not exceed RUR 700 thousand. To calculate the compensation, foreign currency denominated deposits are restated at the exchange rate set by the Central Bank of the Russian Federation at the date of the insured event, and the amounts due to banks from depositors are deducted from the deposit amount.

In 2011 the situation in the banking sector was characterised by growth in assets, loans issued and profits, but the quality of assets continues to remain a critical issue. The banking liquidity is mainly influenced by measures undertaken by the CBR and the Government in the framework of the monetary policy. Capital adequacy requirements were raised after 1 January 2012. In 2011 the refinancing rate increased from 7.75% to 8.0% per annum and the required reserve ratios for credit institutions' obligations ranged from 4.0% to 5.5%.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2011	6.1%
31 December 2010	8.8%
31 December 2009	8.8%
31 December 2008	13.3%
31 December 2007	11.9%

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation. The table below shows the CBR exchange rates of RUR relative to USD and EUR:

Date	USD	EUR
31 December 2011	32.1961	41.6714
31 December 2010	30.4769	40.3331
31 December 2009	30.2442	43.3883
31 December 2008	29.3804	41.4411
31 December 2007	24.5462	35.9332

3. Basis of Presentation

General principles

These financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS). The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS.

Functional and presentation currency

These financial statements are presented in Russian Roubles being the Bank's functional and presentation currency.

Estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. Issues that require best estimate and are most significant for the financial statements are disclosed in Notes 4, 7, 8, 11 and 26.

Going concern

These financial statements reflect the Bank management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Bank's control. The Bank's management cannot predict what impact these factors can have on the Bank's financial position in future. The accompanying financial statements do not include the adjustments associated with this risk.

These financial statements were prepared on a going concern assumption.

For prompt management of liquidity risk the Bank regularly monitors external factors, which could influence the Bank's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Bank analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Bank sets liquidity gap limits. The set limits are periodically reviewed to reflect the changes in external and internal environment.

To maintain the required liquidity level the Bank can attract additional funds from the Central Bank of Russia and in the interbank lending market. Diversification of liquidity sources allows to minimise the Bank's dependence on any source and ensure full satisfaction of its liabilities. A sufficient current liquidity cushion accumulated by the Bank and the available sources of additional funding allow the Bank to continue its operations as a going concern in the long term.

Changes in Accounting Policies

The accounting policies adopted are generally consistent with those of the previous financial year. Listed below are those amended standards and interpretations which are or in the future could be relevant to the Bank's operations:

- IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2011). The amendments clarify disclosures in the statement of changes in equity.
- IAS 24 (as amended in 2009) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011). This standard is a revised version of IAS 24 (as amended in 2003). The main objectives of this Standard are as follows:
  - disclosure exemption for entities that are controlled, jointly controlled or significantly influenced by the state or government bodies (government-related entities);
  - clarification of definition of a related party and related party transaction to improve the understanding and remove contradictions.
- IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2011). The changes refer to disclosure of qualitative and quantitative information about the nature and the extent of risks arising from the transfer of financial assets. The amendments comprise a requirement for an entity to disclose by class of a financial asset the following information in the Bank's statement of financial position about the financial assets transferred to a counterparty: the nature of an asset, its cost, risks and benefits related to the asset. Besides, disclosure is required enabling the user to understand the size of a financial liability related to the asset and the relationship between a financial asset and the related financial liability. In cases when an asset is ceased to be recognised, but the Bank remains to be exposed to certain risks and can receive certain benefits related to the transferred asset, additional disclosure is required to enable the user to understand the risk level.
- IFRIC 13 "Customer Loyalty Programs" (effective for annual periods beginning on or after 1 July 2010). This IFRIC addresses measurement of award credits to customers by reference to fair value.
- IFRIC 14 "The Limit on a Defined Benefit Asset(s), Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2011). The main amendments address treatment of prepayments of minimum contributions.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010). This IFRIC provides guidance on treating settlement of a financial liability through additional issue of an entity's own equity to the creditor.

IFRSs and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IAS 27 "Separate Financial Statements" (effective for annual reporting periods beginning on or after 1 January 2013). This standard and IFRS 10 "Consolidated Financial Statements" supersede IAS 27 "Consolidated and Separate Financial Statements" (as amended in 2003). IAS 27 clarifies transition requirements regarding changes in IAS 21, 28 and 31 caused by revision of IAS 27 (as amended in January 2008). IAS 27 sets out requirements for accounting for and disclosure of information about an entity's investments in subsidiaries, joint ventures and associates when preparing separate financial statements.
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual reporting periods beginning on or after 1 January 2013). This standard is a revised version of IAS 28 "Investments in Associates" (as amended in 2003) and sets out requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013; however, the date can be postponed to 1 January 2015; early adoption is permitted). This standard was issued in November 2009 as the first phase of replacing IAS 39 and replaces those parts of IAS 39 that relate to classification and measurement of financial assets. The second phase of replacing this standard regarding the classification and measurement of financial liabilities took place in October 2010. The main differences of the new standard are as follows:

- financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument;
- a financial instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss;
- all equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- IFRS 10 "Consolidated Financial Statements" (effective for annual reporting periods beginning on or after 1 January 2013). The new standard supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 introduces a unified three-level control model: the investor can have control provided that the three criteria are met:
  - the investor has power over the investee;
  - the investor is exposed or has rights to variable returns from its involvement with that investee;
  - the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

  Early adoption of IFRS 10 is permitted provided an entity also early adopts IFRS 11, IFRS 12, IAS 27 and IAS 28 (as amended in 2011).
- IFRS 11 "Joint Arrangements" (applied retrospectively to annual reporting periods beginning on or after 1 January 2013). The new standard supersedes IAS 31 "Interests in Joint Ventures". The main change introduced by IFRS 11 relates to the classification of all types of joint arrangements into joint operations, which are accounted for on a proportionate consolidation basis, or joint ventures, for which the equity method is used. The type of joint arrangement is determined based on rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. Early adoption of IFRS 11 is permitted provided an entity also early adopts IFRS 10, IFRS 12, IAS 27 and IAS 28 (as amended in 2011).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual reporting periods beginning on or after 1 January 2013). The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests in another entity are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Amended and new requirements for disclosing information aim to provide the users of financial statements with information that would enable them to assess the nature of the risks related to the entity's interests in other entities and the effect of those interests on the entity's financial position, financial performance and cash flows. In case of full early adoption of IFRS 12 it is also necessary to adopt IFRS 10, IFRS 11, IAS 27, and IAS 28 (as amended in 2011).
- IFRS 13 "Fair Value Measurement" (applied prospectively for annual periods beginning on or after 1 January 2013; early application is permitted). The new standard replaces fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value, and sets out disclosure requirements for fair value measurement. IFRS 13 does not introduce new requirements for measurement of assets and liabilities at fair value nor does it eliminate the exceptions to fair value measurement currently applicable to certain standards.

- Amendment to IAS 1 "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income" (applied retrospectively for annual periods beginning from 1 July 2012; early application is permitted). The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to 'statement of profit or loss and other comprehensive income' (the use of other wording in the title is permitted).
- Amendment to IAS 19 "Employee Benefits" (applied retrospectively for annual periods beginning on or after 1 January 2013; early application is permitted). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits. The amendment also makes significant changes to disclosures for all employee benefits.

The Bank is currently assessing the adoption of these IFRS and amendments, the impact of their application on the Bank and the timing of their adoption.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents are assets, which can be converted into cash within a day and consist of cash on hand, correspondent and current account balances of the Bank. All short-term interbank placements are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Cash and cash equivalents do not include mandatory cash balances with the Central Bank of the Russian Federation.

Mandatory cash balances with the Central Bank of the Russian Federation

Mandatory cash balances with the Central Bank of the Russian Federation represent mandatory reserve deposits with the CBR, which are not available to finance the Bank's day-to-day operations. The mandatory reserve balance is excluded from cash and cash equivalents for the purposes of the statement of cash flows.

Financial assets

The Bank classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables (this category includes due from other banks and loans to customers);
- financial assets available for sale.

The Bank determines the classification of its financial assets at initial recognition. Classification of financial assets at initial recognition depends on the purpose for which they were acquired and their characteristics.

Initial recognition of financial instruments

The Bank recognises financial assets and financial liabilities in its statement of financial position when it becomes a party to the contractual obligation of the financial instrument. Regular way purchases and sales of the financial assets and liabilities are recognised using settlement date accounting.

All financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset.

Fair value measurement

The fair value of financial instruments traded on the active market as at the reporting date is determined based on the market or dealers' quotations including transaction costs.

If a quoted market price is not available, the fair value of financial assets and financial liabilities recorded in the statement of financial position is estimated on the basis of market quotations for similar financial instruments or using various valuation techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data or judgement.

Judgement is based on the time value of money, credit risk level, volatility of the instrument, market risk level and other applicable factors.

Amortised cost of financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Bank shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
- the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Reclassification of financial assets

The Bank shall not reclassify out of the fair value through profit or loss category a derivative financial instrument while it is held or issued or any financial instrument classified at initial recognition as at fair value through profit or loss.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual if these assets are no longer held for the purpose of selling or repurchasing them in the near term.

Non-derivative trading financial assets at fair value through profit or loss may be reclassified into loans and receivables or investments held to maturity depending on the purposes for which these financial assets are held, if the Bank has intention and the ability to hold these financial assets for the foreseeable future or until maturity.

Financial assets available for sale may be reclassified into loans and receivables if the Bank has a positive intention and the ability to hold these financial assets for the foreseeable future or until maturity.

If financial assets are reclassified into loans and receivables or investments held to maturity, the fair value on the date of reclassification will become the new cost of these financial assets. Subsequently, these assets are measured at amortised cost using the effective interest rate method.

If, as a result of a change in intention or ability of the Bank, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as financial assets available for sale and remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recorded in the statement of comprehensive income as other comprehensive income.

The Bank shall not classify any financial assets as investments held to maturity if the Bank has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the Bank's control, is non-recurring and could not have been reasonably anticipated by the Bank.

Whenever sales or reclassifications of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions of the classification, any remaining held-to-maturity investments shall be reclassified as financial assets available for sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading securities and other financial assets at fair value through profit or loss.

Trading securities represent securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio where a pattern of short-term trading exists. The Bank classifies securities as trading securities when it intends to sell them within a short period of time after purchase. Trading securities are not reclassified out of this category except for rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term.

Trading securities are recognised at fair value. Interest earned on trading securities is reflected as interest income in the statement of comprehensive income. Dividends are recognised in the statement of comprehensive income as other operating income when the Bank's right to receive dividends is established and dividends are likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the statement of comprehensive income as gains less losses arising from financial assets at fair value through profit or loss in the period in which they arise.

Due from other banks

In the normal course of business, the Bank places funds for various periods of time with other banks. Amounts due from other banks with a fixed maturity term are not intended for immediate or short-term trading and are measured at amortised cost using the effective interest method. Amounts due from other banks are carried net of any allowance for impairment.

Loans to customers

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans to customers are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost using the effective interest method less provision for loan impairment.

Loans to customers are recorded when cash is advanced to borrowers.

Loans to customers originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the statement of comprehensive income as gains/losses on origination of loans to customers at rates above/below market. Subsequently, the carrying amount of such loans is adjusted for amortisation of this gain/loss on the loan provided and the related gains/losses are recorded within the statement of comprehensive income using the effective interest method.

The Bank does not acquire loans from third parties.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets not included into any of the above three categories.

Financial assets available for sale are initially recognised at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset. Financial assets available for sale are subsequently remeasured to fair value based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank's management on the basis of results of recent sales of similar financial assets to unrelated third parties or determined on the basis of indicative quotations for purchase/sale of each type of securities published by information agencies or provided by professional securities market participants. If there is no active market and it is impossible to determine the fair value of equity instruments using reliable methods, investments are allowed to be recognised at acquisition cost.

Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in the statement of comprehensive income. When financial assets available for sale are disposed of, the related accumulated unrealised gains and losses previously recognised the statement of comprehensive income are reclassified into profit or loss within gains less losses arising from financial assets available for sale. Disposals of financial assets available fore sale are recorded on a FIFO basis.

Interest earned on debt securities available for sale is determined using the effective interest method and reflected in the statement of comprehensive income as interest income. Dividends received on equity investments available for sale are recorded in the statement of comprehensive income when the Bank's right to receive dividends is established and dividends are likely to be received.

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss, financial assets available for sale, due from other banks or loans to customers, depending on their economic substance and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets

The Bank assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. Impairment losses are recognised in the statement of comprehensive income as they are incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

(1) Impairment of due from other banks and loans to customers

For amounts due from other banks and loans to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

Objective evidence that due from other banks and loans to customers are impaired includes the following main criteria in respect of individually significant financial assets:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Bank's disposal;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- worsening national or local economic environment affecting the borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider.

Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as asset type, industry, collateral type, payment status and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The main criterion used for determining objective evidence of loss from impairment of due from other banks and loans to customers representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices in respect of mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of the provision account and the amount of the loss is recognised in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group or on the basis of historical information on collections of past due debts. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, prices for exchange-traded commodities, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset in full or in part have been completed and the final amount of the loss has been determined. The carrying value of impaired financial assets is not reduced directly.

In accordance with the Russian legislation, in case of a write-off of the uncollectible loan and relating interest, the Bank shall take necessary and adequate steps, envisaged by law, standard business practice or agreement, to collect this outstanding loan.

(2) Impairment of financial assets available for sale

The Bank assesses at each reporting date whether there is objective evidence that a financial investment or a group of investments available for sale is impaired.

In case of equity investments classified as available for sale, the main criterion used to determine objective evidence of impairment loss would include a significant or prolonged decline in the fair value of the equity security below its cost. This determination of what is significant and/or prolonged requires judgement. According to the Bank, a more than 20% decrease in the fair value of the financial asset below its cost is a significant decline and decrease in the financial asset's value for over 6 months is a prolonged decline. The Bank also assesses other factors such as volatility of price per share. Cumulative impairment loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised through the profit and loss accounts, is transferred from other comprehensive income to the profit and loss accounts.

Impairment losses on equity instruments are not reversed through the profit and loss account: increases in the fair value after impairment are recognised directly in other comprehensive income.

In case of debt instruments not at fair value classified as available for sale, impairment is assessed based on the same criteria as for financial assets carried at amortised cost. Interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

If in the subsequent period the fair value of a debt instrument increases, and such increase can be objectively related to the event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or financial liabilities carried at amortised cost.

Initially, a financial liability shall be measured by the Bank at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include due to other banks, customer accounts, debt securities issued and other borrowed funds.

Due to other banks. Due to other banks are recorded when cash is advanced to the Bank by counterparty banks.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers in respect of settlement accounts and deposits.

Debt securities issued. Debt securities issued include promissory notes and savings certificates issued by the Bank. If the Bank purchases its own debt securities issued, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income as gain from retirement of debt.

Other borrowed funds. Other borrowed funds include subordinated loans recorded as cash is advanced to the Bank.

Offsetting

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

Premises and equipment

Premises and equipment are stated at cost or at revalued amount, as described below, less accumulated depreciation and impairment provision. Premises and equipment acquired prior to 1 January 2003 are restated to the equivalent purchasing power of the Russian Rouble as at that date.

At each reporting date the Bank assesses whether there is any indication of impairment of premises and equipment. If such indication exists, the Bank estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of premises and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as impairment loss to the statement of comprehensive income.

The Bank's buildings are revalued on a regular basis. The frequency of revaluations depends on changes in the fair value of the assets subjected to revaluation. After initial recognition at cost, buildings are carried at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed regularly to avoid significant differences between the fair value of the revalued asset and its carrying amount.

After revaluation of buildings, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recorded in the statement of comprehensive income as other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised through profit or loss. A decrease arising as a result of a revaluation should be recognised in the statement of comprehensive income as profit or loss, except that revaluation deficit is directly offset against the previous surplus from revaluation of the same asset recorded directly within other comprehensive income as effect of revaluation of premises and equipment.

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded as operating expenses in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income when the expense is incurred.

Construction in progress is carried at cost less impairment provision. As soon as construction is completed, assets are reclassified as premises and equipment at their carrying value at the date of reclassification. Construction in progress is not depreciated until the asset is available for use.

Depreciation

Depreciation of premises and equipment commences from the date the assets are ready for use. Depreciation is charged on a straight line basis over the estimated useful lives of the assets:

- Buildings – 40 years;
- Furniture, computers and office equipment –3 – 5 years;
- Motor vehicles – 4 years.

At the end of the service life, the residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Operating lease - the Bank as lessee

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included into operating expenses in the statement of comprehensive income.

Operating lease – the Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term as other operating income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Share capital

The share capital contributed before 1 January 2003 was restated for the effects of inflation. The share capital contributed after the above date is stated at initial cost. Non-monetary contributions to the share capital are recorded at the fair value of contributed assets at the date the contributions are made. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity from the proceeds.

Share premium

Share premium represents the excess of contributions to the share capital over the nominal value of the shares issued.

Dividends

Dividends are recognised as a liability and deducted from the shareholders' equity at the reporting date only if they are declared before or on the reporting date. Information on dividends declared after the reporting date is disclosed in the subsequent events note. Net profit of the reporting year reflected in the statutory financial statements is the basis for payment of dividends and other appropriations.

Dividends are accrued upon their approval by the General Meeting of Shareholders and reflected in the financial statements as distribution of profit.

Contingent assets and liabilities

Contingent assets are not recognised in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but disclosed in the financial statements unless the possibility of any outflow in settlement is remote.

Credit related commitments

The Bank enters into credit related commitments, including guarantees, letters of credit and commitments to extend credits. Guarantees represent irrevocable assurances of the Bank to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Bank to pay on behalf of the client the agreed amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Credit related commitments are initially recognised at their fair value. Subsequently, they are analysed at each reporting date and adjusted to reflect the current best estimate. The best estimate of the expenditure required to settle the present obligation is the amount that the Bank would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Taxation

The income tax charge comprises current tax and deferred tax and is recorded in the statement of comprehensive income. Income tax expense is recorded in the financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted during the reporting period.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current or prior periods. Tax amounts are based on estimates if financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carryforwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets for deductible temporary differences and tax losses carryforwards are recorded to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Judgement is required to determine the amount of deferred tax assets that may be recognised in financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

Russia also has various other taxes, which are assessed on the Bank's activities. These taxes are recorded within operating expenses in the statement of comprehensive income.

Income and expense recognition

Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial

instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided. Loan origination fees for loans that are not yet provided, but are probable of being drawn down, are recognised within other assets and are subsequently taken into account in calculation of effective interest rate on the loan. Fees and commissions arising from negotiating a transaction for a third party, such as the acquisition of loans, shares and other securities or the purchase or sale of businesses, are recorded on completion of the transaction in the statement of comprehensive income. Investment portfolio and other advisory service fees are recognised based on the applicable service contracts.

Employee benefits and social insurance contributions

The Bank pays statutory social insurance contributions on the territory of the Russian Federation. These contributions are recorded on an accrual basis. Social insurance contributions comprise contributions to the Russian Federation state pension, social insurance, and obligatory medical insurance funds in respect of the Bank's employees. The Bank does not have pension arrangements separate from the state pension system of the Russian Federation. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Bank's employees render the related service.

Foreign currency

Transactions in foreign currency and precious metals are translated into the functional currency at the CBR exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the CBR exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from revaluation of transactions in foreign currency and precious metals are recorded in the statement of comprehensive income within foreign exchange translation gains less losses. Non-monetary items denominated in foreign currency and carried at cost are restated at the CBR exchange rate in effect at the transaction date. Non-monetary items denominated in foreign currency and carried at fair value are restated at the exchange rate in effect at the date the fair value is determined.

Gains and losses on purchase and sale of foreign currency are determined as the difference between the selling price and the carrying amount at the date of the transaction.

5. Cash and Cash Equivalents

	2011	2010
Cash on hand	137 449	140 381
Balances with the CBR (other than mandatory reserve deposits)	168 112	184 551
Correspondent accounts and overnight deposits with other banks of:		
- the Russian Federation;	52 575	67 849
- other countries	1 155 531	194 834
Total cash and cash equivalents	**1 513 667**	**587 615**

As at 31 December 2010, cash and cash equivalents included accrued interest on correspondent accounts with other banks in the amount of RUR 4 thousand. These amounts are excluded from cash and cash equivalents for the purpose of the cash flows statement.

As at 31 December 2011, the Bank had cash balances above 10% of the Bank's capital with one commercial counterparty bank (VTB Bank (Austria) AG) (2010: one counterparty bank (VTB Bank (Austria) AG). The aggregate amount of these funds equalled RUR 1 141 437 thousand or 75.4% of total cash and cash equivalents (2010: RUR 144 352 thousand or 24.6% of total cash and cash equivalents).

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss reflected in the statement of financial position as at 31 December 2011 and 31 December 2010 include trading securities:

	2011	2010
Corporate equity securities		
- Corporate shares	181 294	773
Government and municipal debt securities		
- Russian Federation bonds (OFZ)	-	29 268
Total financial assets at fair value through profit or loss	**181 294**	**30 041**

Corporate shares represent shares of Russian companies and banks.

Russian Federation bonds (OFZ) are Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. As at 31 December 2010, OFZ bonds in the Bank's portfolio have maturity dates from November 2014 to August 2016, coupon rate ranging from 7.0% to 11.2% per annum and yield to maturity ranging from 7.1% to 7.2% per annum, depending on the issue.

Below is the credit quality analysis of trading debt securities as at 31 December 2010 in accordance with the ratings of international agencies:

	Fitch+	Moody's	S&P	Total
Government and municipal debt securities				
- Russian Federation bonds (OFZ)	BBB	Baa1	BBB	29 268

7. Due from Other Banks

	2011	2010
Loans and deposits with other banks	839 808	573 532
Promissory notes of other banks	151 266	151 184
Correspondent accounts with other banks	2 736	1 090
Less: provision for impairment of due from other banks	(1 114)	(1 090)
Total due from other banks	**992 696**	**724 716**

As at 31 December 2011, promissory notes of other banks are represented by RUR-denominated debt securities of SB Bank (Sudostroitelny bank, Ltd) with maturity date in February 2012 and interest rate of 7% per annum (2010: RUR-denominated debt securities of SB Bank (Sudostroitelny bank, Ltd) with maturity date in February 2011 and interest rate of 8%).

Below is the analysis of movements in the provision for impairment of due from other banks during 2011 and 2010:

	2011	2010
Provision for impairment of due from other banks as at 1 January	**1 090**	**-**
Provision for impairment during the year	24	1 090
Provision for impairment of due from other banks as at 31 December	**1 114**	**1 090**

Due from other banks in 2011 and 2010 are not collateralised.

The credit quality analysis of due from other banks as at 31 December 2011 has shown that due from other banks in the amount of RUR 1 114 thousand (2010: RUR 1 090 thousand) are individually impaired and more than 1 year overdue. Due from other banks in the amount of RUR 992 696 thousand are current and unimpaired (2010: RUR 724 716 thousand).

As at 31 December 2011, the Bank acquired one promissory note (above 10% of the Bank's capital) of one counterparty bank and deposits (above 10% of the Bank's capital) of two counterparty banks (2010: one promissory note of a counterparty bank above 10% of the Bank's capital and deposits above 10% of the Bank's capital with 2 counterparty banks). The aggregate amount of these funds equalled RUR 931 066 thousand or 93.8 % of total due from other banks (2010: RUR 656 425 thousand or 90.6% of total due from other banks).

8. Loans to Customers

	2011	2010
Corporate loans	3 378 834	5 326 332
Loans to small and medium business	1 929 060	158 711
Housing loans to individuals	223 351	180 852
Consumer loans to individuals	25 661	240 395
Less: provision for impairment of loans to customers	(861 878)	(590 017)
Total loans to customers	**4 695 028**	**5 316 273**

As at 31 December 2011, accrued interest income on impaired loans to customers amounted to RUR 534 thousand (2010: RUR 1 926 thousand).

Movements in the provision for impairment of loans to customers for 2011 and 2010 are as follows:

	Corporate loans	Loans to small and medium business	Housing loans to individuals	Consumer loans to individuals	Total
Provision for impairment of loans to customers as at 31 December 2009	**296 442**	**5 990**	**27 685**	**132**	**330 249**
Provision /(recovery of provision) for impairment during 2010	113 064	(2 123)	47 211	101 616	**259 768**
Provision for impairment of loans to customers as at 31 December 2010	**409 506**	**3 867**	**74 896**	**101 748**	**590 017**
Provision /(recovery of provision) for impairment during 2011	344 265	62 449	(37 611)	(97 242)	**271 861**
Provision for impairment of loans to customers as at 31 December 2011	**753 771**	**66 316**	**37 285**	**4 506**	**861 878**

Economic sector concentrations within the Bank's loan portfolio are as follows:

	2011		2010	
	Amount	%	Amount	%
Trade	3 821 214	68.8	4 728 563	80.1
Construction	1 066 679	19.2	606 479	10.3
Financial activities	420 001	7.6	150 001	2.5
Individuals	249 012	4.4	421 247	7.1
Total loans to customers (gross)	**5 556 906**	**100**	**5 906 290**	**100.0**

As at 31 December 2011, the Bank issued loans to 33 borrowers (2010: 43 borrowers) with the total loan amount exceeding 10% of the Bank's capital. The aggregate amount of these loans was RUR 5 088 801 thousand or 92.6% of total loans to customers (2010: RUR 5 612 340 thousand or 95.0% of total loans to customers).

The credit quality analysis of loans as at 31 December 2011 is as follows:

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans
Corporate loans				
Individually assessed loans				
Current loans (not past due)	2 459 027	747 171	1 711856	30.4
Collectively assessed loans				
Current loans (not past due)	919 807	6 600	913 207	0.7%
Total corporate loans	**3 378 834**	**753 771**	**2 625 063**	**22.3%**
Loans to small and medium business				
Individually assessed loans				
Current loans (not past due)	861 542	66 316	795 226	7.7%
Collectively assessed loans				
Current loans (not past due)	1 067 518	-	1 067 518	-
Total loans to small and medium business	**1 929 060**	**66 316**	**1 862 744**	**3.4%**
Housing loans to individuals				
Individually assessed loans				
Current loans (not past due)	56 167	33 700	22 467	60.0%
Collectively assessed loans				
Current loans (not past due)	163 599	-	163 599	-
6 to 12 months overdue	3 585	3 585	-	100.0%
Total housing loans to individuals	**223 351**	**37 285**	**186 066**	**16.7%**
Consumer loans to individuals				
Collectively assessed loans				
Current loans (not past due)	24 585	3 430	21 155	13.9%
6 to 12 months overdue	1 076	1 076	-	100.0%
Total consumer loans to individuals	**25 661**	**4 506**	**21 155**	**17.6%**
Total loans to customers	**5 556 906**	**861 878**	**4 695 028**	**15.5%**

The credit quality analysis of loans as at 31 December 2010 is as follows:

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans
Corporate loans				
Individually assessed loans				
Current loans (not past due)	4 780 794	285 203	4 495 591	6.0%
Collectively assessed loans				
Current loans (not past due)	545 538	124 303	421 235	22.8%
Total corporate loans	**5 326 332**	**409 506**	**4 916 826**	**7.7%**
Loans to small and medium business				
Collectively assessed loans				
Current loans (not past due)	158 711	3 867	154 844	2.4%
Total loans to small and medium business	**158 711**	**3 867**	**154 844**	**2.4%**
Housing loans to individuals				
Individually assessed loans				
Current loans (not past due)	84 344	43 859	40 485	52.0%
Collectively assessed loans				
Current loans (not past due)	96 508	31 037	65 471	32.2%
Total housing loans to individuals	**180 852**	**74 896**	**105 956**	**41.4%**
Consumer loans to individuals				
Individually assessed loans				
Current loans (not past due)	201 666	101 639	100 027	50.4%
Collectively assessed loans				
Current loans (not past due)	38 591	17	38 574	0.04%
6 to 12 months overdue	138	92	46	66.7%
Total consumer loans to individuals	**240 395**	**101 748**	**138 647**	**42.3%**
Total loans to customers	**5 906 290**	**590 017**	**5 316 273**	**9.9%**

Individually assessed loans are loans that are material in value, show certain signs of impairment and individually assessed by the Bank or which are not impaired. Unimpaired loans represent loans issued to borrowers with a high level of liquidity and profitability, in respect of which there is no evidence that they are individually impaired. Collectively assessed loans include loans grouped in homogeneous pools of claims sharing common characteristics in respect of risk exposure and/or signs of impairment.

The credit quality of loans for which no signs of impairment were identified is not homogeneous due to diversity of industry risks and financial position characteristics of borrowers.

Below is the information on the collateral held as security as at 31 December 2011:

	Corporate loans	Loans to small and medium business	Housing loans to individuals	Consumer loans to individuals	Total
Goods for sale	527 431	178 790	-	-	706 221
Guarantees	712 373	125 280	79 011	493	917 157
Immovable property	-	-	107 055	-	107 055
Premises and equipment	157 467	6 120	-	-	163 587
Own securities	-	-	-	3 200	3 200
Motor vehicles	375	5 428	-	1 834	7 637
Unsecured loans	1 227 417	1 547 127	-	15 627	2 790 171
Total collateral	**2 625 063**	**1 862 745**	**186 066**	**21 154**	**4 695 028**

Below is the information on the collateral held as security as at 31 December 2010:

	Corporate loans	Loans to small and medium business	Housing loans to individuals	Consumer loans to individuals	Total
Goods for sale	2 800 767	-	-	-	2 800 767
Guarantees	-	-	94 012	103 020	197 032
Immovable property	243 726	-	3 782	-	247 508
Premises and equipment	48 498	33 924	-	-	82 422
Own securities	-	-	8 162	3 250	11 412
Motor vehicles	375	-	-	2 377	2 752
Other	-	31 068	-	30 000	61 068
Unsecured loans	1 823 460	89 852	-	-	1 913 312
Total collateral	**4 916 826**	**154 844**	**105 956**	**138 647**	**5 316 273**

The collateral value of the security may differ from its fair value.

9. Financial Assets Available for Sale

	2011	2010
Corporate debt securities		
- Corporate eurobonds	172 498	-
- Promissory notes	-	260 896
Corporate equity securities		
- Units of investment funds	186 487	-
- Corporate shares	651	-
Total financial assets available for sale	**359 636**	**260 896**

Corporate eurobonds are USD-denominated interest-bearing securities issued by OJSC NOMOS-BANK and OJSC Coks and freely tradable internationally. As at 31 December 2011, corporate eurobonds in the Bank's portfolio have maturity dates from October 2015 to June 2016 (2010: none), coupon rates ranging from 7.8% % to 8.8 %, depending on the issue, and yield to maturity ranging from 7.8% to 8.8%.

As at 31 December 2010 promissory notes in the Bank's portfolio are represented by Rouble-denominated promissory notes issued by commercial banks in the amount of RUR 260 896 thousand and have maturity dates from January 2011 to September 2011 and yield to maturity from 2.9% to 8.9% per annum.

Corporate shares are represented by shares of Russian companies.

Below are units of investment funds available for sale as at 31 December 2011:

Fund	**2011**
GPI Profit Assets	186 487
Total	**186 487**

The Fund is managed by AMC GPI, Ltd.

The model structure of the portfolio of GPI Profit Assets as at 31 December 2011 is as follows:

Sector	**Share, %**
Cash	1.7%
Other	98.3%

Below is the information on changes in the portfolio of financial assets available for sale:

	2011	**2010**
Carrying amount as at 1 January	**260 896**	**569 026**
Acquisition	308 098	259 920
Disposals	(258 736)	(566 070)
Accrued interest income	4 686	2 160
Interest received	(9 372)	(4 140)
Foreign exchange translation	17 690	-
Gains less losses from revaluation at fair value	36 374	-
Carrying amount as at 31 December	**359 636**	**260 896**

As at 31 December 2011 and 31 December 2010, financial assets available for sale are current.

Below is the credit quality analysis of issuers of debt securities classified as financial assets available for sale as at 31 December 2011 in accordance with the ratings of international agencies:

	Fitch	**Moody's**	**S&P**	**Total**
Corporate debt securities				
- Corporate eurobonds				
OJSC NOMOS-BANK	BB	Ba3	-	119 352
OJSC Koks	-	B2	B	53 146
Total debt securities available for sale				**172 498**

As at 31 December 2011 and 31 December 2010, the Bank did not make provisions for impairment of financial assets available for sale.

As at 31 December 2011, financial assets available for sale were not provided as collateral to third parties (2010: provided as collateral to third parties in the amount of RUR 47 655 thousand under the limits of borrowing from other banks) (Note 12).

10. Premises and Equipment

Below is the information on movements of premises and equipment during 2011:

	Buildings	Furniture, computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2010	**117 345**	**1 426**	**6 520**	**125 291**
Cost (or revalued amount)				
Balance as at 1 January 2011	117 345	8 647	19 485	145 477
Additions	-	2 756	-	2 756
Revaluation	8 009	-	-	8 009
Accumulated depreciation eliminated on revaluation	(2 934)	-	-	(2 934)
Disposals	-	(168)	-	(168)
Balance as at 31 December 2011	**122 420**	**11 235**	**19 485**	**153 140**
Accumulated depreciation				
Balance as at 1 January 2011	-	7 221	12 965	20 186
Depreciation charge	2 934	558	3 129	6 621
Accumulated depreciation eliminated on revaluation	(2 934)	-	-	(2 934)
Disposals	-	(164)	-	(164)
Balance as at 31 December 2011	**-**	**7 615**	**16 094**	**23 709**
Net book value as at 31 December 2011	**122 420**	**3 620**	**3 391**	**129 431**

Below is the information on movements of premises and equipment during 2010:

	Buildings	Furniture, computers and office equipment	Motor vehicles	Total
Net book value as at 31 December 2009	**115 533**	**1 797**	**9 649**	**126 979**
Cost (or revalued amount)				
Balance as at 1 January 2010	115 533	9 201	19 485	144 219
Additions	-	363	-	363
Revaluation	4 700	-	-	4 700
Accumulated depreciation eliminated on revaluation	(2 888)	-	-	(2 888)
Disposals	-	(917)	-	(917)
Balance as at 31 December 2010	**117 345**	**8 647**	**19 485**	**145 477**
Accumulated depreciation				
Balance as at 1 January 2010	-	7 404	9 836	17 240
Depreciation charge	2 888	734	3 129	6 751
Accumulated depreciation eliminated on revaluation	(2 888)	-	-	(2 888)
Disposals	-	(917)	-	(917)
Balance as at 31 December 2010	**-**	**7 221**	**12 965**	**20 186**
Net book value as at 31 December 2010	**117 345**	**1 426**	**6 520**	**125 291**

The Bank's buildings were appraised by an independent appraiser as at 31 December 2011. The appraisal was performed by Knight Frank LLC (2010: Knight Frank LLC) and was based on the market value. As at 31 December 2011, the net book value of the buildings includes the amount of RUR 123 985 thousand (2010: RUR 115 976 thousand), which represents positive revaluation of the Bank's buildings recorded within revaluation reserve for premises and equipment in the Bank's equity.

As at 31 December 2011, the total deferred tax liability of RUR 24 797 thousand (2010: RUR 23 195 thousand) was computed in respect of this revaluation of buildings at fair value and was posted to equity in accordance with IAS 16 (Note 25).

If the buildings were measured using the cost model, the net book value would include:

	2011	2010
Cost	6 724	6 724
Accumulated depreciation	(1 272)	(1 104)
Net book value	**5 452**	**5 620**

11. Other Assets

	2011	2010
Plastic card settlements	8 420	5 658
Advance payments relating to business transactions	5 528	5 100
Cash deposits with stock exchange	4 344	205 419
Prepaid taxes (other than income tax)	820	856
Receivables on securities transactions	171	2 186
Other	475	573
Less: provision for impairment of other assets	-	(287)
Total other assets	**19 758**	**219 505**

Cash deposits with stock exchange represent cash deposited with the Moscow Interbank Currency Exchange (MICEX) to conduct operations in foreign currency.

Movements in the provision for impairment of other assets during 2011 and 2010 are as follows:

	Other
Provision for impairment of other assets as at 1 January 2010	**39**
Provision for impairment of other assets during 2010	318
Assets written off during 2010 as uncollectible	(70)
Provision for impairment of other assets as at 31 December 2010	**287**
Recovery of provision for impairment of other assets during 2011	(193)
Assets written off during 2011 as uncollectible	(94)
Provision for impairment of other assets as at 31 December 2011	**-**

The Bank has no collateral for impaired assets recognised as other assets.

As at 31 December 2011, all financial assets classified as other assets are current.

The credit quality analysis of the financial assets classified as other assets as at 31 December 2010 is as follows:

	Current and unimpaired	6 to 12 months overdue and impaired	Total
Cash deposits with stock exchange	205 419	-	205 419
Plastic card settlements	5 658	-	5 658
Receivables on securities transactions	2 186	-	2 186
Other	-	287	287
Less: provision for impairment of other assets	-	(287)	(287)
Total financial assets classified as other assets	**213 263**	**-**	**213 263**

12. Due to Other Banks

	2011	2010
Loans and deposits of other banks	85 059	-
Correspondent accounts and 'overnight' deposits of other banks	17 087	15 811
Total due to other banks	**102 146**	**15 811**

As at 31 December 2011 and 31 December 2010, the Bank had no cash balances of counterparty banks above 10% of its capital.

As at 31 December 2010, financial assets available for sale in the amount of RUR 47 655 thousand were provided by the Bank as collateral to third parties under the limits of borrowing from other banks (Note 9).

13. Customer Accounts

	2011	2010
State and municipal organisations		
— Current/settlement accounts	-	4 562
— Term deposits	-	20 376
Legal entities		
— Current/settlement accounts	1 263 066	963 847
— Term deposits	1 550 660	2 167 895
Individuals		
— Current/demand accounts	273 825	322 496
— Term deposits	3 591 789	2 620 945
Total customer accounts	**6 679 340**	**6 100 121**

According to the Russian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate paid by the Bank on demand deposits unless otherwise specified by the contract.

Economic sector concentrations within customer accounts are as follows:

	2011		2010	
	Amount	%	Amount	%
Individuals	3 865 614	57.9	2 943 441	48.3
Trade	1 188 548	17.8	1 899 734	31.1
Services	108 539	1.6	419 417	6.9
Financial services	383 284	5.7	326 638	5.3
Construction	456 735	6.8	292 552	4.8
Industry	541 487	8.1	30 882	0.5
Other	135 133	2.1	187 457	3.1
Total customer accounts	**6 679 340**	**100%**	**6 100 121**	**100%**

As at 31 December 2011, the Bank had 11 customers (2010: 10 customers) with balances over 10% of the Bank's capital. The aggregate amount of these customer accounts was RUR 2 917 653 thousand or 43.7% of total customer accounts (2010: RUR 2 805 010 thousand or 45.9% of total customer accounts).

14. Debt Securities Issued

	2011	2010
Promissory notes	20 702	232 193
Savings certificates	77 513	12 845
Total debt securities issued	**98 215**	**245 038**

As at 31 December 2011, debt securities issued by the Bank include promissory notes of RUR 20 702 thousand denominated in Russian Roubles (2010: RUR 232 193 thousand denominated in Russian Roubles and EUR). These notes mature in the period from April 2012 to November 2016 (2010: from January 2011 to November 2014), and have the interest rate from 6.0% to 9.0% (2010: from 5.0% to 10.0%).

As at 31 December 2010, debt securities issued by the Bank include savings certificates of RUR 77 513 thousand (2010: RUR 12 845 thousand) denominated in Russian Roubles. The maturity period of these savings certificates is from January to December 2012, and the interest rate is from 10.0% to 11.0% (2010: from June to December 2011, and the interest rate was from 10.0% to 11.0%).

As at 31 December 2011, the Bank had no debt securities issued over 10% of the Bank's capital (2010: debt securities over 10% of the Bank's capital were issued to 1 customer. The total amount of these securities was RUR 178 932 thousand or 73.0% of total debt securities issued).

15. Other Borrowed Funds

As at 31 December 2011, the Bank borrowed funds in US dollars in the form of a subordinated loan of USD 8 000 thousand (equivalent of RUR 257 569 thousand) (2010: a subordinated loan of USD 5 000 thousand (equivalent of RUR 152 385 thousand)). The interest rate on this subordinated loan is Libor +5.0% p.a.

The subordinated loan was provided by Bahir Trading Limited (Cyprus).

These borrowings are expected to be repaid on expiry of the contract term in May 2026.

Below is the information on movements in other borrowed funds:

	2011	2010
Carrying value as at 1 January	152 694	151 505
Borrowings in 2011	85 205	-
Effect of exchange rate changes	19 979	1 164
Accrued interest expense	11 602	8 196
Paid interest expense	(11 337)	(8 171)
Carrying value as at 31 December	**258 143**	**152 694**

16. Other Liabilities

	2011	2010
Remuneration payable to employees	5 845	6 150
Plastic card settlements	3 148	4 772
Accounts payable	1 161	1 178
Taxes payable other than income tax	304	1 214
Other	128	53
Total other liabilities	**10 586**	**13 367**

17. Share Capital and Share Premium

Authorised, issued and fully paid share capital of the Bank comprises:

	2011			2010		
	Number of shares	Nominal value	Inflation-adjusted amount	Number of shares	Nominal value	Inflation-adjusted amount
Ordinary shares	352 563 280	352 563	537 040	352 563 280	352 563	537 040
Total share capital	**352 563 280**	**352 563**	**537 040**	**352 563 280**	**352 563**	**537 040**

All ordinary shares have a nominal value of RUR 1 per share and carry one vote.

On 23 June 2010 the CBR registered a report on the results of the additional share issue. As a result of placement of the additional share issue the share capital increased by RUR 150 000 thousand to RUR 537 040 thousand (inflation-adjusted).

Share premium represents the excess of contributions over the nominal value of the shares issued. As at 31 December 2011, the share premium amounted to RUR 40 295 thousand (2010: RUR 40 295 thousand) (inflation-adjusted).

18. Retained Earnings according to Russian Legislation

According to the Russian legislation only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed as dividends among the shareholders. As at 31 December 2011, the Bank's retained earnings amounted to RUR 26 095 thousand (2010: RUR 34 617 thousand), including the profit of the reporting year in the amount of RUR 26 095 thousand (2010: RUR 34 617 thousand).

The equity reflected in the Bank's statutory records includes a reserve fund in the amount of RUR 195 286 thousand (2010: RUR 178 297 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of the Bank's general risks, including future losses and other unforeseen risks or contingent liabilities.

19. Interest Income and Expense

	2011	2010
Interest income		
Loans to customers	768 653	671 037
Due from other banks	34 306	40 530
Financial assets available for sale	4 686	2 160
Financial assets at fair value through profit or loss	1 130	2 208
Total interest income	**808 775**	**715 935**
Interest expense		
Customer accounts	391 855	362 471
Other borrowed funds	11 602	8 196
Debt securities issued	4 918	15 367
Loans and deposits of other banks	2 750	1 117
Total interest expense	**411 125**	**387 151**
Net interest income	**397 650**	**328 784**

20. Fee and Commission Income and Expense

	2011	2010
Fee and commission income		
Commission on cash and settlement transactions	40 315	32 837
Commission on plastic card transactions	19 340	15 054
Commission on cash collection	5 041	4 504
Commission on guarantees issued	465	309
Other	1 006	3 936
Total fee and commission income	**66 167**	**56 640**
Fee and commission expense		
Commission on settlement transactions	17 079	13 015
Other	1 210	797
Total fee and commission expense	**18 289**	**13 812**
Net fee and commission income	**47 878**	**42 828**

21. Operating Expenses

	Note	2011	2010
Staff costs		88 998	80 855
Administrative expenses		17 336	11 273
Professional services (security, communications, etc.)		7 321	7 554
Depreciation of premises and equipment	10	6 621	6 751
Taxes other than income tax		4 352	3 780
Deposit insurance expenses		11 970	8 246
Advertising and marketing		1 605	1 067
Other		3 963	3 615
Total operating expenses		**142 166**	**123 141**

22. Income Tax

Income tax expense comprises the following:

	2011	2010
Current income tax expense	7 776	6 379
Deferred taxation movement due to origination and reversal of temporary differences	12 027	(3 967)
Less: deferred taxation charged directly to other comprehensive income	(8 877)	(940)
Income tax expense for the year	**10 926**	**1 472**

The current tax rate applicable to the majority of the Bank's profit is 20% (2010: 20%).

Reconciliation between the theoretical and the actual taxation charge is provided below:

	2011	2010
IFRS profit before taxation	**54 978**	**7 370**
Theoretical tax charge at the applicable statutory rate (2011: 20 %; 2010: 20%)	10 996	1 474
Income on state securities taxed at different rates	(55)	(108)
Non-deductible expenses less non-taxable income	(15)	106
Income tax expense for the year	**10 926**	**1 472**

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial statement purposes and for the Bank profits tax purposes.

	2011	Movement	2010
Tax effect of deductible temporary differences			
Other liabilities	1 169	(61)	1 230
Revaluation of financial assets at fair value through profit or loss	1 505	1 482	23
Depreciation	640	182	458
Other	-	(149)	149
Gross deferred tax assets	**3 314**	**1 454**	**1 860**
Tax effect of taxable temporary differences			
Revaluation of premises and equipment	24 797	1 602	23 195
Provision for impairment of loans to customers	18 576	2 505	16 071
Revaluation of financial assets available for sale	7 275	7 275	-
Other	2 099	2 099	-
Gross deferred tax liabilities	**52 747**	**13 481**	**39 266**
Total net deferred tax liability	**49 433**	**12 027**	**37 406**

	2010	Movement	2009
Tax effect of deductible temporary differences			
Other liabilities	1 230	356	874
Revaluation of financial assets at fair value through profit or loss	23	23	-
Depreciation	458	(80)	538
Other	149	131	18
Gross deferred tax assets	**1 860**	**430**	**1 430**
Tax effect of taxable temporary differences			
Revaluation of premises and equipment	23 195	940	22 255
Provision for impairment of loans to customers	16 071	(3 057)	19 128
Revaluation of financial assets at fair value through profit or loss	-	(788)	788
Other	-	(632)	632
Gross deferred tax liabilities	**39 266**	**(3 537)**	**42 803**
Total net deferred tax liability	**37 406**	**(3 967)**	**41 373**

Net deferred tax liability represents the income tax amount payable in future periods in respect of taxable temporary differences.

As at 31 December 2011, the total deferred tax liability of RUR 24 797 thousand (2010: RUR 23 195 thousand) was calculated in respect of positive revaluation of buildings at fair value and recorded within revaluation reserve for premises and equipment (Note 13).

23. Components of Comprehensive Income

	2011	2010
Financial assets available for sale		
Gain on revaluation of financial assets available for sale	36 374	-
Gains less losses from revaluation of financial assets available for sale	**36 374**	**-**
Revaluation of premises and equipment		
Revaluation of premises and equipment (Note 13)	8 009	4 700
Effect of revaluation of premises and equipment	**8 009**	**4 700**
Income tax relating to components of comprehensive income		
Revaluation of financial assets available for sale	(7 275)	-
Revaluation of premises and equipment	(1 602)	(940)
Income tax relating to components of comprehensive income	**(8 877)**	**(940)**
Other comprehensive income after taxation	**35 506**	**3 760**

24. Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of related borrowers. Such risks are monitored by the Bank on a regular basis, the limits being subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and group of borrowers are approved by the Executive Board and the Board of Directors.

The exposure to any one borrower including banks and broker companies is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures are monitored against limits daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed by obtaining property and securities collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amount of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credits, the maximum exposure to credit risk is equal to total liabilities, as described in Note 26.

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

The Bank performs the loan maturity analysis and subsequent monitoring of overdue balances. Therefore, the management provides information on overdue maturities and other information on credit risk, as described in Notes 7 and 8.

The Bank is exposed to early redemption risk as a result of lending at fixed or variable interest rates. The financial result and the Bank's equity for the current year and at the reporting date would not greatly depend on the rate fluctuations in case of early redemption because such loans are carried at amortised cost whereas the amount to be early redeemed corresponds or nearly corresponds to the amortised cost of loans to customers.

Market risk. The Bank takes on exposure to market risk arising from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific market movements. The Bank's Executive Board sets limits in respect of the risk assumed and monitors them on a daily basis. However, the use of this approach does not prevent losses beyond these limits in the event of more significant market movements.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk accepted.

The Bank assesses its market risk exposure in compliance with the requirements of CBR Regulation No. 313-P of 14 November 2007 "On Procedure of Market Risk Calculation by Credit Institutions".

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

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	358 136	1 155 251	280	1 513 667
Mandatory cash balances with the Central Bank of the Russian Federation	106 974	-	-	106 974
Financial assets at fair value through profit or loss	181 294	-	-	181 294
Due from other banks	212 896	779 800	-	992 696
Loans to customers	4 695 028	-	-	4 695 028
Financial assets available for sale	359 636	-	-	359 636
Premises and equipment	129 431	-	-	129 431
Other assets	19 758	-	-	19 758
Current tax assets	2 124	-	-	2 124
Total assets	**6 065 277**	**1 935 051**	**280**	**8 000 608**
Liabilities				
Due to other banks	85 025	-	17 121	102 146
Customer accounts	6 330 699	273 231	75 410	6 679 340
Debt securities issued	98 215	-	-	98 215
Other borrowed funds	-	-	258 143	258 143
Other liabilities	10 586	-	-	10 586
Deferred tax liabilities	49 433	-	-	49 433
Total liabilities	**6 573 958**	**273 231**	**350 674**	**7 197 863**
Net balance sheet position	**(508 681)**	**1 661 820**	**(350 394)**	**802 745**
Credit related commitments	**120 221**	**-**	**-**	**120 221**

The geographical concentration of the Bank's assets and liabilities as at 31 December 2010 is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and cash equivalents	392 781	194 549	285	587 615
Mandatory cash balances with the Central Bank of the Russian Federation	50 223	-	-	50 223
Financial assets at fair value through profit or loss	30 041	-	-	30 041
Due from other banks	219 475	505 241	-	724 716
Loans to customers	5 316 273	-	-	5 316 273
Financial assets available for sale	260 896	-	-	260 896
Premises and equipment	125 291	-	-	125 291
Other assets	219 505	-	-	219 505
Current tax assets	1 269	-	-	1 269
Total assets	**6 615 754**	**699 790**	**285**	**7 315 829**
Liabilities				
Due to other banks	-	-	15 811	15 811
Customer accounts	5 966 937	66 207	66 977	6 100 121
Debt securities issued	245 038	-	-	245 038
Other borrowed funds	-	-	152 694	152 694
Other liabilities	13 367	-	-	13 367
Deferred tax liabilities	37 406	-	-	37 406
Total liabilities	**6 262 748**	**66 207**	**235 482**	**6 564 437**
Net balance sheet position	**353 006**	**633 583**	**(235 197)**	**751 392**
Credit related commitments	**128 176**	**-**	**-**	**128 176**

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's Executive Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and monitors the compliance on a daily basis. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2011:

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	349 254	10 638	1 152 419	1 356	1 513 667
Mandatory cash balances with the Central Bank of the Russian Federation	106 974	-	-	-	106 974
Financial assets at fair value through profit or loss	181 294	-	-	-	181 294
Due from other banks	211 286	781 410	-	-	992 696
Loans to customers	3 860 536	590 489	244 003	-	4 695 028
Financial assets available for sale	187 138	172 498	-	-	359 636
Premises and equipment	129 431	-	-	-	129 431
Other assets	16 259	3 499	-	-	19 758
Current tax assets	2 124	-	-	-	2 124
Total assets	**5 044 296**	**1 558 534**	**1 396 422**	**1 356**	**8 000 608**
Liabilities					
Due to other banks	102 140	6	-	-	102 146
Customer accounts	4 240 405	1 891 267	547 430	238	6 679 340
Debt securities issued	98 215	-	-	-	98 215
Other borrowed funds	-	258 143	-	-	258 143
Other liabilities	10 586	-	-	-	10 586
Deferred tax liabilities	49 433	-	-	-	49 433
Total liabilities	**4 500 779**	**2 149 416**	**547 430**	**238**	**7 197 863**
Net balance sheet position	**543 517**	**(590 882)**	**848 992**	**1 118**	**802 745**
Net off-balance sheet position	**361 646**	**529 165**	**(891 768)**	**-**	**(957)**
Net balance sheet and off-balance sheet position	**905 163**	**(61 717)**	**(42 776)**	**1 118**	**801 788**
Credit related commitments	**114 515**	**3 416**	**2 290**	**-**	**120 221**

As at 31 December 2010, the Bank had the following positions in currencies:

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	309 654	143 311	132 191	2 459	587 615
Mandatory cash balances with the Central Bank of the Russian Federation	50 223	-	-	-	50 223
Financial assets at fair value through profit or loss	30 041	-	-	-	30 041
Due from other banks	199 130	525 586	-	-	724 716
Loans to customers	4 090 041	953 383	272 849	-	5 316 273
Financial assets available for sale	260 896	-	-	-	260 896
Premises and equipment	125 291	-	-	-	125 291
Other assets	18 819	192 594	8 092	-	219 505
Current tax assets	1 269	-	-	-	1 269
Total assets	**5 085 364**	**1 814 874**	**413 132**	**2 459**	**7 315 829**
Liabilities					
Due to other banks	15 811	-	-	-	15 811
Customer accounts	3 009 936	2 628 223	461 958	4	6 100 121
Debt securities issued	220 135	-	24 903	-	245 038
Other borrowed funds	-	152 694	-	-	152 694
Other liabilities	13 314	53	-	-	13 367
Deferred tax liabilities	37 406	-	-	-	37 406
Total liabilities	**3 296 602**	**2 780 970**	**486 861**	**4**	**6 564 437**
Net balance sheet position	**1 788 762**	**(966 096)**	**(73 729)**	**2 455**	**751 392**
Net off-balance sheet position	**(911 356)**	**914 307**	**-**	**-**	**2 951**
Net balance sheet and off-balance sheet position	**877 406**	**(51 789)**	**(73 729)**	**2 455**	**754 343**
Credit related commitments	**122 851**	**3 228**	**2 097**	**-**	**128 176**

The Bank issued loans denominated in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of foreign currencies against the Russian Rouble may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the reporting date, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on maximum exchange rate fluctuations during December 2011.

	31 December 2011	
	Effect on profit before taxation	**Effect on comprehensive income**
USD appreciation by 4%	(22 527)	(18 022)
USD depreciation by 4%	20 527	18 022
EUR appreciation by 3%	25 743	20 594
EUR depreciation by 3%	(25 743)	(20 594)

The table below shows the change in the financial result and comprehensive income due to possible fluctuations of exchange rates used as at the reporting date, if all other conditions remain unchanged. A reasonably possible change by each currency is determined based on the analysis of historical data on maximum exchange rate fluctuations during December 2010.

	31 December 2010	
	Effect on profit before taxation	**Effect on comprehensive income**
USD appreciation by 4%	(38 643)	(30 915)
USD depreciation by 4%	38 643	30 915
EUR appreciation by 5%	(3 686)	(2 949)
EUR depreciation by 5%	3 686	2 949

The risk was calculated only for cash balances in currencies other than the Bank's functional currency.

*Liquidity risk***.** Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to risk via daily calls from customers on its available cash resources from customer accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all of these needs as, based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. The liquidity risk is managed by the Planning and Risk Control Department of the Bank.

The Bank is keen on maintaining stable financing predominantly consisting of due to other banks, deposits of legal entities/deposits of individuals, debt securities, and also on investing funds in diversified liquid asset portfolios to be able to meet unexpected liquidity needs quickly and unhampered.

To manage its liquidity, the Bank is required to analyse the level of liquid assets needed to settle the liabilities on their maturity by providing access to various sources of financing, drawing up plans to solve the problems with financing and exercising control over compliance of liquidity ratios with the laws and regulations. The Bank calculates the liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios include:

- Quick ratio (H2) calculated as a ratio of highly liquid assets and liabilities on demand. As at 31 December 2011, this ratio was 75.6% (2010: 45.8%). The minimum admissible value of H2 is set at 15%.
- Current liquidity ratio (H3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2011, this ratio was 90.2% (2010: 68.5%). The minimum admissible value of H3 is set at 50%.
- Long-term liquidity ratio (H4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. As at 31 December 2011, this ratio was 19.9% (2010: 57.3%). The maximum admissible value of H4 is set at 120%.

Dealing Operations and Interbank Lending Department and Securities Department provide for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, bank deposits and other interbank facilities to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored by the Planning and Risk Control Department of the Bank, which also performs stress testing under a variety of scenarios covering both normal and more severe market conditions.

The table below shows the liabilities as at 31 December 2011 by their remaining contractual maturity. The amounts in the table represent contractual undiscounted cash flows. These undiscounted cash flows differ from the amounts recorded in the statement of financial position that are based on discounted cash flows.

In those cases when the amount to be paid is not fixed, the amount in the table is determined on the basis of conditions prevailing at the end of the reporting date. Foreign currency payments are translated using the spot exchange rate effective at the end of the reporting date.

The table below shows the maturity analysis of financial liabilities as at 31 December 2011:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	102 245	-	-	-	102 245
Customer accounts	1 574 484	1 071 663	2 315 824	1 937 577	6 899 548
Debt securities issued	1 870	8 940	93 709	457	104 976
Other borrowed funds	1 185	5 817	6 980	305 470	319 452
Total potential future payments under financial liabilities	**1 679 784**	**1 086 420**	**2 416 513**	**2 243 504**	**7 426 221**

The table below shows the maturity analysis of financial liabilities as at 31 December 2010:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	15 811	-	-	-	15 811
Customer accounts	1 598 855	1 727 486	2 589 912	434 143	6 350 396
Debt securities issued	179 865	33 286	34 839	445	248 435
Other borrowed funds	994	3 357	4 020	188 119	196 490
Total potential future payments under financial liabilities	**1 795 525**	**1 764 129**	**2 628 771**	**622 707**	**6 811 132**

The customer accounts are reflected in the above analysis by the term to maturity. However, in accordance with the Civil Code of the Russian Federation, the individuals have the right to withdraw funds from accounts before maturity in which case they lose the accrued interest.

The Bank does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Bank monitors the expected maturity limits that are shown in the table below as at 31 December 2011:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 513 667	-	-	-	-	1 513 667
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	106 974	106 974
Financial assets at fair value through profit or loss	181 294	-	-	-	-	181 294
Due from other banks	61 630	931 066	-	-	-	992 696
Loans to customers	151	2 724 877	1 705 169	264 831	-	4 695 028
Financial assets available for sale	187 138	-	-	172 498	-	359 636
Premises and equipment	-	-	-	-	129 431	129 431
Other assets	19 758	-	-	-	-	19 758
Current tax assets	-	2 124	-	-	-	2 124
Total assets	**1 963 638**	**3 658 067**	**1 705 169**	**437 329**	**236 405**	**8 000 608**
Liabilities						
Due to other banks	102 146	-	-	-	-	102 146
Customer accounts	1 543 734	958 875	2 240 122	1 936 609	-	6 679 340
Debt securities issued	1 100	5 402	91 278	435	-	98 215
Other borrowed funds	-	-	-	258 143	-	258 143
Other liabilities	10 586	-	-	-	-	10 586
Deferred tax liabilities	-	-	-	-	49 433	49 433
Total liabilities	**1 657 566**	**964 277**	**2 331 400**	**2 195 187**	**49 433**	**7 197 863**
Net liquidity gap as at 31 December 2011	**306 072**	**2 693 790**	**(626 231)**	**(1 757 858)**	**186 972**	**802 745**
Cumulative liquidity gap as at 31 December 2011	**306 072**	**2 999 862**	**2 373 631**	**615 773**	**802 745**	
Credit related commitments	**-**	**110 919**	**9 302**	**-**	**-**	**120 221**

The table below shows the expected maturity analysis as at 31 December 2010:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	587 615	-	-	-	-	587 615
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	50 223	50 223
Financial assets at fair value through profit or loss	30 041	-	-	-	-	30 041
Due from other banks	573 532	151 184	-	-	-	724 716
Loans to customers	82 720	1 413 458	2 828 967	991 128	-	5 316 273
Financial assets available for sale	46 040	72 966	141 890	-	-	260 896
Premises and equipment	-	-	-	-	125 291	125 291
Other assets	219 505	-	-	-	-	219 505
Current tax assets	-	1 269	-	-	-	1 269
Total assets	**1 539 453**	**1 638 877**	**2 970 857**	**991 128**	**175 514**	**7 315 829**
Liabilities						
Due to other banks	15 811	-	-	-	-	15 811
Customer accounts	1 575 994	1 599 677	2 505 747	418 703	-	6 100 121
Debt securities issued	178 932	31 409	34 298	399	-	245 038
Other borrowed funds	309	-	-	152 385	-	152 694
Other liabilities	13 367	-	-	-	-	13 367
Deferred tax liabilities	-	-	-	-	37 406	37 406
Total liabilities	**1 784 413**	**1 631 086**	**2 540 045**	**571 487**	**37 406**	**6 564 437**
Net liquidity gap as at 31 December 2010	**(244 960)**	**7 791**	**430 812**	**419 641**	**138 108**	**751 392**
Cumulative liquidity gap as at 31 December 2010	**(244 960)**	**(237 169)**	**193 643**	**613 284**	**751 392**	
Credit related commitments	**-**	**4 251**	**13 773**	**110 152**	**-**	**128 176**

As the above analysis is based on expected maturity, the entire portfolio of financial assets at fair value through profit or loss is categorised as "On demand and less than 1 month" in accordance with the portfolio liquidity assessment by the management.

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

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

Liquidity requirements in respect of payments under guarantees and letters of credit are considerably lower than the amount of the related commitment because the Bank does not generally expect a third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credits does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates fixed contractually on both assets and liabilities, are usually renegotiated to reflect current market conditions.

The Bank's Executive Board sets limits on the Bank's transactions on the securities and interbank loans markets. The Planning and Risk Control Department of the Bank monitors compliance with the set limits on a permanent basis.

The table below summarises the Bank's exposure to interest rate risk as at 31 December 2011. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	-	-	-	-	1 513 667	1 513 667
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	106 974	106 974
Financial assets at fair value through profit or loss	-	-	-	-	181 294	181 294
Due from other banks	61 630	931 066	-	-	-	992 696
Loans to customers	151	2 724 877	1 705 169	264 831	-	4 695 028
Financial assets available for sale	-	-	-	172 498	187 138	359 636
Premises and equipment	-	-	-	-	129 431	129 431
Other assets	-	-	-	-	19 758	19 758
Current tax assets	-	-	-	-	2 124	2 124
Total assets	**61 781**	**3 655 943**	**1 705 169**	**437329**	**2 140 386**	**8 000 608**
Liabilities						
Due to other banks	102 140	-	-	-	6	102 146
Customer accounts	1 543 734	958 875	2 240 122	1 936 609	-	6 679 340
Debt securities issued	1 100	5 402	91 278	435	-	98 215
Other borrowed funds	-	-	-	258 143	-	258 143
Other liabilities	-	-	-	-	10 586	10 586
Deferred tax liabilities	-	-	-	-	49 433	49 433
Total liabilities	**1 646 974**	**964 277**	**2 331 400**	**2 195 187**	**60 025**	**7 197 863**
Net interest rate gap as at 31 December 2011	**(1 585 193)**	**2 691 666**	**(626 231)**	**(1 757 858)**	**2 080 361**	**802 745**
Cumulative interest rate gap as at 31 December 2011	**(1 585 193)**	**1 106 473**	**480 242**	**(1 277 616)**	**802 745**	
Credit related commitments	**-**	**110 919**	**9 302**	**-**	**-**	**120 221**

The table below summarises the Bank's exposure to interest rate risks as at 31 December 2010:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	1 528	-	-	-	586 087	587 615
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	50 223	50 223
Financial assets at fair value through profit or loss	29 268	-	-	-	773	30 041
Due from other banks	573 532	151 184	-	-	-	724 716
Loans to customers	82 720	1 413 458	2 828 967	991 128	-	5 316 273
Financial assets available for sale	46 040	72 966	141 890	-	-	260 896
Premises and equipment	-	-	-	-	125 291	125 291
Other assets	-	-	-	-	219 505	219 505
Current tax assets	-	-	-	-	1 269	1 269
Total assets	**733 088**	**1 637 608**	**2 970 857**	**991 128**	**983 148**	**7 315 829**
Liabilities						
Due to other banks	15 811	-	-	-	-	15 811
Customer accounts	406 598	1 599 677	2 505 747	418 703	1 169 396	6 100 121
Debt securities issued	178 932	31 409	34 298	399	-	245 038
Other borrowed funds				152 385	309	152 694
Other liabilities	-	-	-	-	13 367	13 367
Deferred tax liabilities	-	-	-	-	37 406	37 406
Total liabilities	**601 341**	**1 631 086**	**2 540 045**	**571 487**	**1 220 478**	**6 564 437**
Net interest rate gap as at 31 December 2010	**131 747**	**6 522**	**430 812**	**419 641**	**(237 330)**	**751 392**
Cumulative interest rate gap as at 31 December 2010	**131 747**	**138 269**	**569 081**	**988 722**	**751 392**	
Credit related commitments	**-**	**4 251**	**13 773**	**110 152**	**-**	**128 176**

Had interest rates declined by 50 basis points as at 31 December 2011, all other conditions being unchanged, the profit would have increased by RUR 1 288 thousand (2010: RUR 762 thousand) as a result of decrease in interest expense on other floating rate borrowings. Other equity components would have increased by RUR 1 030 thousand (2010: RUR 610 thousand).

Had interest rates increased by 50 basis points as at 31 December 2011, all other conditions being unchanged, the profit would have declined by RUR 1 288 thousand (2010: RUR 762 thousand) as a result of increase in interest expense on other floating rate borrowings. Other equity components would have decreased by RUR 1 030 thousand (2010: RUR 610 thousand).

The Bank monitors interest rates of financial instruments. The table below shows the interest rates on the basis of reports that were analysed by the Bank's key executives as at 31 December 2011 and 31 December 2010:

			2011			2010
	RUR	USD	EUR	RUR	USD	EUR
Assets						
Cash and cash equivalents	-	-	-	0.5%	0.3%	0.8%
Due from other banks	6.1%	2.2%	-	3.5%	2.0%	-
Loans to customers	11.5%	9.5%	11.3%	12.0%	12.0%	14.0%
Financial assets at fair value through profit or loss	-	-	-	8.7%	-	-
Financial assets available for sale	-	8.6%	-	6.5%	-	-
Liabilities						
Due to other banks	4.7%	-	-	3.0%	-	-
Customer accounts						
- term deposits of legal entities	6.9%	3.0%	5.5%	7.6%	6.99%	8.0%
- term deposits of individuals	10.4%	6.6%	5.5%	10.7%	8.1%	6.9%
Debt securities issued	9.6%	-	-	5.9%	-	9.5%
Other borrowed funds	-	5.4%	-	-	5.3%	-

Other price risks.

The Bank takes on limited exposure to the risk of changes in share prices. The Bank's Securities Department controls and authorises transactions with equity instruments.

The table below shows the change in the financial result, comprehensive income and equity due to possible fluctuations of share prices as at 31 December 2011 provided all other variables remain unchanged.

			31 December 2011
	Effect on profit before taxation	Effect on comprehensive income	Effect on equity
Financial assets at fair value through profit or loss			
Price decrease by 10%	(18 129)	-	(14 503)
Price increase by 10%	18 129	-	14 503
Financial assets available for sale			
Price decrease by 10%	-	(65)	(52)
Price increase by 10%	-	65	52

The table below shows the change in the financial result and equity due to possible fluctuations of share prices as at 31 December 2010 provided all other variables remain unchanged.

	31 December 2010	
	Effect on profit before taxation	**Effect on equity**
Financial assets at fair value through profit or loss		
Price decrease by 10%	(77)	(62)
Price increase by 10%	77	62

25. Capital Management

The Bank's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation, in particular, deposit insurance system requirements; to ensure the Bank's ability to operate as a going concern and maintain capital base at the level required to sustain capital adequacy ratio at 10% required by the CBR. The control over compliance with the capital adequacy ratio set by the Central Bank of the Russian Federation is exercised daily on the basis of projected and actual data and on the basis of monthly reports with the corresponding calculations that are verified and signed by the Chairman of the Executive Board and Chief Accountant of the Bank. Other capital management objectives are assessed on a daily basis.

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2011	**2010**
Core capital	639 711	594 360
Additional capital	257 569	152 385
Total regulatory capital	**897 280**	**746 745**

As at 31 December 2011, the Bank's capital adequacy ratio calculated based on capital requirements established by the CBR was 12.7% (2010: 11.8%). The minimum admissible value is set by the CBR at 10.0%.

26. Contingent Liabilities

Legal issues. In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Bank. Based on its own estimates and internal and external professional advice, the Bank's management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Tax legislation. Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional or federal authorities. Recent events in the Russian Federation have shown that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments and it is possible that transactions and accounting methods that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for three calendar years preceding the year of the review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2011, the Bank's management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained by controlling bodies.

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

	2011	2010
Less than 1 year	161	646
From 1 to 5 years	14 880	1 580
Total operating lease commitments	**15 041**	**2 226**

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of guarantees, letters of credit and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. However, as there is a potential risk, a provision for credit related commitments in respect of issued guarantees is made in the statement of financial position within other liabilities depending on the customer's financial position. With respect to commitments to extend credit and unused credit lines, the Bank is less exposed to the risk of loss since in the case of impairment of loans issued the Bank will not pay the remaining amounts. Therefore, no provision for these credit related commitments is created.

Credit related commitments of the Bank are as follows:

	2011	2010
Undrawn credit lines	11 645	18 135
Guarantees issued	108 576	110 041
Total credit related commitments	**120 221**	**128 176**

In 2011 and 2010 the Bank did not make provisions for credit related commitments.

27. Fair Value of Financial Instruments

The fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced sale or liquidation. Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for the major part of the Bank's financial instruments, the fair value shall be estimated based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

Below is the estimated fair value of the Bank's financial instruments as at 31 December 2011 and 2010.

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1 513 667	1 513 667	587 615	587 615
Financial assets at fair value through profit or loss	181 294	181 294	30 041	30 041
Due from other banks	992 696	992 696	724 716	724 716
Loans to customers	4 695 028	4 695 028	5 316 273	5 316 273
Financial assets available for sale	359 636	359 636	260 896	260 896
Financial liabilities				
Due to other banks	102 146	102 146	15 811	15 811
Customer accounts	6 679 340	6 679 340	6 100 121	6 100 121
Debt securities issued	98 215	98 215	245 038	245 038
Other borrowed funds	258 143	258 143	152 694	152 694

The Bank uses the following methods and assumptions to estimate the fair value of the following financial instruments:

Financial instruments carried at fair value. Cash and cash equivalents, financial assets at fair value through profit or loss and financial assets available for sale are shown in the statement of financial position at their fair value. Certain financial assets available for sale for which there are no available independent quotations have been fair valued by the Bank on the basis of results of recent sales of interests in investees to unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation techniques.

Due from other banks. The fair value of floating rate instruments is their carrying value. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2011 and 31 December 2010 do not materially differ from respective carrying amounts. This is primarily due to the short-term nature of investments.

Loans to customers. Loans to customers are reported net of impairment provision. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that fair values of loans to customers as at 31 December 2011 and 31 December 2010 do not materially differ from respective carrying value. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Due to other banks. The fair value of due to other banks maturing in less than 1 month approximates the carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing in more than 1 month is the present value of the estimated future cash flows discounted at the respective year-end market rates. The Bank's management believes that fair values of due to other banks as at 31 December 2011 and 31 December 2010 do not materially differ from the respective carrying amounts. This is due to the relatively short-term maturity of these liabilities.

Customer accounts. The estimated fair value of customer accounts without a quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity. The Bank's management believes that fair values of customer accounts as at 31 December 2011 and 31 December 2010 do not materially differ from the respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The estimated fair value of fixed interest rate debt securities issued is based on discounted cash flows using money market interest rates for debt instruments with similar credit risk and maturity. The fair value of debt securities issued actively traded on an exchange was based on their market quotations.

*Other borrowed funds***.** The fair value of other fixed interest rate borrowings and other borrowed funds without a quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity. The estimated fair value of other Bank's borrowed funds approximates their carrying value as these instruments do not have market quotations or similar instruments and are attracted on special terms at the floating rate Libor +5%.

Below is the fair value hierarchy of financial assets reflected in the statement of financial position as at 31 December 2011 at fair value. Level 1 includes financial assets which are traded in an active market, whose fair values are measured based on market quotations. Level 2 includes financial assets whose fair value is measured using different valuation techniques. These models are based on observable data characterizing market conditions and factors which may affect the fair value of a financial asset. Level 3 includes financial assets whose fair value is determined based on judgment.

	Level 1	**Level 2**
Financial assets at fair value through profit or loss	181 294	-
Financial assets available for sale	173 149	186 487

Below is the fair value hierarchy of financial assets as at 31 December 2010:

	Level 1	Level 2
Financial assets at fair value through profit or loss	30 041	-
Financial assets available for sale	-	260 896

28. Reconciliation of Classes of Financial Instruments with Measurement Categories

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the Bank classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) financial assets available for sale.

At the same time, in accordance with IFRS 7 "Financial Instruments: Disclosure" the Bank discloses different classes of financial instruments.

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2011:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	1 513 667	-	-	1 513 667
Financial assets at fair value through profit or loss				
- Corporate equity securities	181 294	-	-	181 294
Due from other banks				
- Loans and deposits with other banks	-	839 759	-	839 759
- Promissory notes of other banks	-	151 266	-	151 266
- Correspondent accounts with other banks	-	1 671	-	1 671
Loans to customers				
- Corporate loans	-	2 625 063	-	2 625 063
- Loans to small and medium business	-	1 862 744	-	1 862 744
- Housing loans to individuals	-	186 066	-	186 066
- Consumer loans to individuals	-	21 155	-	21 155
Financial assets available for sale				
- Corporate debt securities	-	-	172 498	172 498
- Units of investment funds	-	-	186 487	186 487
- Corporate shares	-	-	651	651
Total financial assets	**1 694 961**	**5 687 724**	**359 636**	**7 742 321**
Non-financial assets				258 287
Total assets				**8 000 608**

The table below shows reconciliation of categories of financial assets with the above measurement categories as at 31 December 2010:

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Total
Assets				
Cash and cash equivalents	587 615	-	-	587 615
Financial assets at fair value through profit or loss				
- Government debt securities	29 268	-	-	29 268
- Corporate equity securities	773	-	-	773
Due from other banks				
- Loans and deposits with other banks	-	573 532	-	573 532
- Promissory notes of other banks	-	151 184	-	151 184
Loans to customers				
- Corporate loans	-	4 916 826	-	4 916 826
- Consumer loans to individuals	-	138 647	-	138 647
- Housing loans to individuals	-	105 956	-	105 956
- Loans to small and medium business	-	154 844	-	154 844
Financial assets available for sale				
- Corporate debt securities	-	-	260 896	260 896
Total financial assets	**617 656**	**6 040 989**	**260 896**	**6 919 541**
Non-financial assets				396 288
Total assets				**7 315 829**

All financial liabilities of the Bank are carried at amortised cost.

29. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

In the normal course of business the Bank enters into transactions with its major shareholders, directors and other related parties. These transactions include settlements, issuance of loans, deposit taking and guarantees. According to the Bank’s policy the terms of related party transactions are equivalent to those that prevail in arm’s length transactions.

The outstanding balances at the year end and asset transactions with related parties for 2011 are as follows:

	Shareholders	Directors and key management personnel	Other	Total
Loans to customers				
Loans to customers as at 1 January (gross)	21 428	1 275	2 065	24 768
Loans to customers issued during the year	2 094	1 130	68 426	71 650
Loans to customers repaid during the year	(522)	(2 344)	(19 062)	(21 928)
Loans to customers as at 31 December (gross)	**23 000**	**61**	**51 429**	**74 490**
Provision for impairment of loans to customers				
Provision for impairment of loans to customers as at 1 January	1 714	25	438	2 177
Provision (recovery of provision) for impairment of loans to customers during the year	(1 714)	(25)	(438)	(2 177)
Provision for impairment of loans to customers as at 31 December	**-**	**-**	**-**	**-**
Loans to customers as at 1 January (less provision for impairment)	**19 714**	**1 250**	**1 627**	**22 591**
Loans to customers as at 31 December (less provision for impairment)	**23 000**	**61**	**51 429**	**74 490**

The outstanding balances at the year end and asset transactions with related parties for 2010 are as follows:

	Shareholders	Directors and key management personnel	Other	Total
Loans to customers				
Loans to customers as at 1 January (gross)	-	28	105	133
Loans to customers issued during the year	23 516	3 633	2 944	30 093
Loans to customers repaid during the year	(2 088)	(2 386)	(984)	(5 458)
Loans to customers as at 31 December (gross)	**21 428**	**1 275**	**2 065**	**24 768**
Provision for impairment of loans to customers				
Provision for impairment of loans to customers as at 1 January	-	-	-	-
Provision for impairment of loans to customers during the year	1 714	25	438	2 177
Provision for impairment of loans to customers as at 31 December	**1 714**	**25**	**438**	**2 177**
Loans to customers as at 1 January (less provision for impairment)	**-**	**28**	**105**	**133**
Loans to customers as at 31 December (less provision for impairment)	**19 714**	**1 250**	**1 627**	**22 591**

The outstanding balances at the year end and liability transactions with related parties for 2011 are as follows:

	Shareholders	Directors and key management personnel	Other	Total
Customer accounts				
Customer accounts as at 1 January	248 562	110 560	3 542	362 664
Customer accounts received during the year	1 793 417	286 541	655 103	2 735 061
Customer accounts repaid during the year	(1 534 151)	(278 778)	(652 495)	(2 465 424)
Customer accounts as at 31 December	**507 828**	**118 323**	**6 150**	**632 301**

The outstanding balances at the year end and liability transactions with related parties for 2010 are as follows:

	Shareholders	Directors and key management personnel	Other	Total
Customer accounts				
Customer accounts as at 1 January	46 003	34 078	2 818	82 899
Customer accounts received during the year	1 052 703	231 285	13 250	1 297 238
Customer accounts repaid during the year	(850 144)	(154 803)	(12 526)	(1 017 473)
Customer accounts as at 31 December	**248 562**	**110 560**	**3 542**	**362 664**

Below are other rights and obligations arising from related party transactions as at 31 December 2011:

	Shareholders
Guarantees received by the Bank	12 900

Below are other rights and obligations arising from related party transactions as at 31 December 2010:

	Shareholders	Directors and key management personnel	Other
Guarantees received by the Bank	29 751	337	30 088

Below are income and expense items arising from related party transactions in 2011:

	Shareholders	Directors and key management personnel	Other	Total
Interest income	3 502	61	7 931	11 494
Interest expense	26 009	7 187	309	33 505
Fee and commission income	877	161	66	1 107
Fee and commission expense	2	-	-	2

Below are income and expense items arising from related party transactions in 2010:

	Shareholders	Directors and key management personnel	Other	Total
Interest income	588	198	69	855
Interest expense	21 581	4 396	270	26 247
Fee and commission income	2 580	353	101	3 034
Fee and commission expense	1	-	-	1

Remuneration and other payments to key management personnel in 2011 amounted to RUR 15 647 thousand (2010: RUR 15 055 thousand).

E.B. Galichev,
Chairman of the Executive Board

КБ «Гарант-Инвест» (ЗАО)

N.M. Poletaeva,
Chief Accountant

20 April 2012