

Open joint stock company

“Asian-Pacific Bank”

**Consolidated Financial Statements
for the 3 months ended 31 March 2012**

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	Notes	31 March 2012 RUB'000	31 March 2011 RUB'000
Interest income	4	2 535 158	1 468 671
Interest expense	4	(919 258)	(608 750)
Net interest income		1 615 900	859 921
Fee and commission income	5	321 756	182 307
Fee and commission expense		(28 961)	(27 027)
Net fee and commission income		292 795	155 280
Net gain on financial instruments at fair value through profit or loss		217 399	106 281
Net foreign exchange income	6	48 733	37 692
Net gain on operations with precious metals		4 360	1 159
Other operating income	7	91 625	51 218
Operating income		2 270 812	1 211 551
Impairment losses	8	(275 855)	(202 302)
Personnel expenses	9	(614 128)	(466 772)
Other general administrative expenses	10	(226 546)	(161 754)
Profit before income tax		1 154 283	380 723
Income tax expense	11	(248 004)	(132 013)
Profit for the period		906 279	248 710
Total comprehensive income for the period		906 279	248 710

The consolidated interim condensed financial statements as set out on pages 3 to 38 were approved by the Management board on 30 May 2012.

Mr. E.V. Aksenov
Chairman of the Board



Mr. O.V. Marinchenko
Chief Accountant

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 RUB'000	31 December 2011 RUB'000
ASSETS			
Cash		1 709 382	2 323 665
Placements with the Central Bank of Russia	12	1 643 709	1 854 991
Financial instruments at fair value through profit or loss	13	12 011 266	9 850 631
Due from banks	14	1 204 285	1 314 336
Amounts receivable under reverse repurchase agreements	15	48 175	-
Loans to customers	16	41 404 141	37 851 363
Net investments in finance leases	17	1 797 036	1 642 739
Current tax asset		1 766	10 538
Deferred tax asset	11	8 660	8 660
Property, equipment and intangible assets	18	4 236 218	4 220 145
Other assets	19	1 525 973	1 452 951
Total assets		65 590 611	60 530 019
LIABILITIES			
Derivative financial instruments	13	15 693	-
Deposits and balances from banks	20	4 967 088	3 909 951
Current accounts and deposits from customers	21	49 213 156	46 340 622
Promissory notes		1 015 021	537 674
Current tax liability		3 337	153 390
Deferred tax liability	11	439 075	312 900
Other liabilities	22	306 786	551 306
Total liabilities		55 960 156	51 805 843
EQUITY			
Share capital		562 312	562 312
Share premium		1 192 723	1 192 723
Revaluation surplus for buildings		1 353 464	1 353 464
Retained earnings		6 521 956	5 615 677
Total equity		9 630 455	8 724 176
Total liabilities and equity		65 590 611	60 530 019

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Cash Flows for the 3 months ended 31 March 2012

	31 March 2012	31 March 2011
Notes	RUB'000	RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	2 175 679	1 465 609
Interest payments	(667 394)	(503 914)
Fee and commission receipts	323 803	174 054
Fee and commission payments	(28 961)	(31 994)
Net receipts from financial instruments at fair value through profit or loss	244 454	(2 457)
Net receipts from foreign exchange	35 958	(722)
Other income receipts	91 627	51 218
Net receipts from operations with precious metals	2 759	1 159
Other general administrative expenses payments	(755 429)	(611 734)
(Increase) decrease in operating assets		
Obligatory reserves with the CBR	(90 828)	(622 285)
Financial instruments at fair value through profit or loss	(2 151 865)	9 693
Available-for-sale financial assets	-	44 252
Due from banks	(6 677)	149 071
Amounts receivable under reverse repurchase agreements	(48 175)	1 476 985
Loans to customers	(3 495 417)	(3 148 923)
Net investments in finance leases	(154 297)	(105 957)
Other assets	(73 022)	(197 118)
Increase (decrease) in operating liabilities		
Deposits and balances from banks	1 057 137	101 414
Current accounts and deposits from customers	2 616 601	2 964 872
Promissory notes	481 416	(40 479)
Other liabilities	(284 974)	178 906
Net cash provided from (used in) operating activities before income tax paid	(727 605)	1 351 650
Income tax paid	(263 109)	(241 896)
Cash flows from (used in) operations	(990 714)	1 109 754
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(62 913)	(74 658)
Cash flows used in investing activities	(62 913)	(74 658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to shareholders	-	-
Cash flows used in financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(1 053 627)	1 035 096
Effect of changes in exchange rates on cash and cash equivalents	20 506	41 133
Cash and cash equivalents as at the beginning of the period	4 518 619	4 877 516
Cash and cash equivalents as at the end of the period	3 485 498	5 953 745

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The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

OJSC “Asian-Pacific Bank”

Consolidated Interim Condensed Statement of Changes in Equity for the 3 months ended 31 March 2012

RUB'000	Share capital	Share premium	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2011	562 312	1 192 723	-	3 738 381	5 493 416
Total comprehensive income					
Profit for the period	-	-	-	248 710	248 710
Total comprehensive income for the period	-	-	-	248 710	248 710
Transactions with owners, recorded directly in equity	-	-	-	-	-
Balance as at 31 March 2011	562 312	1 192 723	-	3 987 091	5 742 126
Balance as at 1 January 2012	562 312	1 192 723	1 353 464	5 615 677	8 724 176
Total comprehensive income					
Profit for the period	-	-	-	906 279	906 279
Total comprehensive income for the period	-	-	-	906 279	906 279
Transactions with owners, recorded directly in equity	-	-	-	-	-
Balance as at 31 March 2012	562 312	1 192 723	1 353 464	6 521 956	9 630 455

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

1 Background

Organisation and operations

These consolidated interim condensed financial statements include the financial statements of OJSC “Asian-Pacific Bank” (the Bank) and its subsidiary LLC “Expo-Leasing” (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint stock company in 1992 under the name Amurpromstroybank as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint-stock company to an open joint stock company and renamed to Asian-Pacific Bank by decision of the shareholder’s meeting. On 7 May 2010 the Bank merged with OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” being owned by the common majority shareholder LLC “PPFIN Region”.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (CBR). The Bank has a general banking license, and is a member of the state deposit insurance system in the Russian Federation.

The Bank has 221 branches from which it conducts business throughout the Russian Federation including Head office, 8 regional branches, 77 additional offices, 131 operational offices and 4 operational cash box. The registered address of the head-office is Blagoveshensk, 675000, Amurskaya Street, 225. The majority of the assets and liabilities are located in the Russian Federation.

As of 31 March 2012 the following shareholders held the issued shares of Open Joint Stock Company “Asian-Pacific Bank”:

Shareholder	31 March 2012 %	31 December 2011 %
LLC “PPFIN Region” (Russian Federation)	67.24	67.24
East Capital Explorer Financial Institutions Fund AB (Sweden)	17.91	17.91
International Financial Corporation	6.99	6.99
Aksenov E.V.	5.21	5.21
Others	2.65	2.65
Total:	100.00	100.00

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			31 March 2012	31 December 2011
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%

On October 1, 2010 100% of shares of LLC “Expo-Leasing” was acquired by the Bank.

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head-office is in Moscow and it has 11 branches (31 December 2011: 11) including 1 regional branch and 10 separate offices.

As at 31 March 2012 the average number of employees was 3 459 (31 December 2011: 3 242).

Business environment

Russian business environment

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

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on a consolidated basis.

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. As a result, they do not include all of the information required by IFRS for a complete set of financial statements. Operating results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

These consolidated interim condensed financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2011.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value, and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the subsidiary is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated interim condensed financial statements in conformity with IFRS. Actual results could differ from those estimates.

The preparation of consolidated interim condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

3 Significant accounting policies

In general the accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the year ended 31 December 2011, except for the changes resulting from the amendments to IFRS.

4 Interest income and expense

	31 March 2012 RUB'000	31 March 2011 RUB'000
Interest income		
Loans to customers	2 347 625	1 294 229
Financial instruments at fair value through profit or loss	80 917	54 477
Loans and advances to banks	9 377	68 745
Net investment in finance leases	96 469	50 838
Available-for-sale financial assets	-	352
Cash	770	30
	2 535 158	1 468 671
Interest expense		
Current accounts and deposits from customers	798 430	550 356
Deposits and balances from banks	105 871	26 952
Promissory notes	14 957	27 507
Subordinated borrowings	-	3 935
	919 258	608 750

5 Fee and commission income

	31 March 2012 RUB'000	31 March 2011 RUB'000
Settlement fees	273 697	129 678
Guarantee and letter of credit issuance	10 712	16 352
Accounts opening and maintenance	27 610	16 134
Other	9 737	20 143
	321 756	182 307

6 Net foreign exchange income

	31 March 2012 RUB'000	31 March 2011 RUB'000
Gain (loss) on spot transactions and derivatives	28 227	(3 441)
Gain from revaluation of financial assets and liabilities	20 506	41 133
	48 733	37 692

7 Other operating income

	31 March 2012 RUB'000	31 March 2011 RUB'000
Penalties on loans issued	52 547	33 710
Rental income	6 060	7 258
Income from trust management	-	3 677
Other income	33 018	6 573
	91 625	51 218

8 Impairment loss

	31 March 2012 RUB'000	31 March 2011 RUB'000
Loans to customers	(275 748)	(203 459)
Net investments in finance leases	(107)	1 157
	(275 855)	(202 302)

9 Personnel expenses

	31 March 2012 RUB'000	31 March 2011 RUB'000
Employee compensation	457 981	379 041
Payroll related taxes	156 147	87 731
	614 128	466 772

10 Other general administrative expenses

	31 March 2012 RUB'000	31 March 2011 RUB'000
Taxes other than on income	18 211	11 514
Depreciation and amortization	35 125	33 552
Repairs and maintenance	17 733	18 941
Rent	16 738	14 562
Write-off of materials and loss on disposals of assets	34 185	15 336
Communications and information services	12 742	9 161
Insurance	26 014	20 447
Advertising and marketing	16 769	5 291
Security	7 178	7 533
Travel expenses	4 002	4 237
Fines and penalties	285	1 472
Professional services	-	47
Other	37 564	19 661
	226 546	161 754

11 Income tax expense

	31 March 2012 RUB'000	31 March 2011 RUB'000
Current tax expense		
Current year	121 829	117 597
Origination and reversal of temporary differences	126 175	14 416
Total income tax expense	248 004	132 013

During 3 months ended 31 March 2012 applicable tax rate for current and deferred tax is 20% (31 March 2011: 20%).

Reconciliation of effective tax rate

	31 March 2012 RUB'000	%	31 March 2011 RUB'000	%
Profit before tax	1 154 283		380 723	
Income tax at the applicable tax rate	230 857	20.0%	76 145	20.0%
Non-deductible costs	20 739	1.8%	56 120	14.8%
Income taxed at lower tax rates	(3 592)	(0.3%)	(252)	(0.1%)
	248 004	21.5%	132 013	34.7%

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 31 March 2012 and 31 December 2011. Net deferred tax liabilities have been recognised in these consolidated interim condensed financial statements.

Movements in temporary differences during the 3 months ended 31 March 2012 and 31 March 2011 are presented as follows:

31 March 2012 RUB'000	Balance 1 January 2012	Recognised in profit or loss	Balance 31 March 2012
Due from banks	(1 217)	(791)	(2 008)
Financial instruments at fair value through profit or loss	10 395	(9 564)	831
Derivative financial instruments	(5 058)	8 197	3 139
Loans to customers	(50 538)	(101 101)	(151 639)
Net investment in finance leases	8 660	-	8 660
Property and equipment	(318 095)	3	(318 092)
Promissory notes	246	1 125	1 371
Other liabilities	51 367	(24 044)	27 323
	(304 240)	(126 175)	(430 415)

31 March 2011	Balance	Recognised	Balance
RUB'000	1 January 2011	in profit	31 March 2011
	<u></u>	or loss	<u></u>
Due from banks	(3 738)	3 738	-
Financial instruments at fair value through profit or loss	(10 879)	10 879	-
Derivative financial instruments	(544)	544	-
Amounts receivable under reverse repurchase agreements	(2 575)	2 324	(251)
Loans to customers	(99 759)	(19 014)	(118 773)
Net investment in finance leases	12 429	(830)	11 599
Property and equipment	(98 826)	(514)	(99 340)
Current accounts and deposits from customers	(5 854)	5 854	-
Other liabilities	8 788	(17 397)	(8 609)
	<u>(200 958)</u>	<u>(14 416)</u>	<u>(215 374)</u>

12 Placements with the Central Bank of Russia

	31 March 2012	31 December 2011
	RUB'000	RUB'000
	<u></u>	<u></u>
Nostro accounts	1 068 100	1 020 172
Obligatory reserves with the CBR	575 609	484 781
Term deposits	-	350 038
Total placements with the Central Bank of Russia	<u>1 643 709</u>	<u>1 854 991</u>

13 Financial instruments at fair value through profit or loss

	31 March 2012 RUB'000	31 December 2011 RUB'000
ASSETS		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	3 172 937	2 067 217
Total government and municipal bonds	3 172 937	2 067 217
- Corporate bonds		
rated from BB- to BBB+	4 366 230	1 690 351
rated below B+	1 047 325	1 070 855
not rated	147 967	193 265
Total corporate bonds	5 561 522	2 954 471
- Promissory notes		
rated from BB- to BBB+	2 426 133	3 391 834
rated below B+	647 419	1 221 163
not rated	-	190 655
Total promissory notes	3 073 552	4 803 652
Equity investments		
Corporate shares	203 255	-
Total equity investments	203 255	-
Derivative financial instruments		
Foreign currency contracts	-	25 291
	12 011 266	9 850 631
LIABILITIES		
Derivative financial instruments		
Foreign currency and securities contracts	15 693	-
	15 693	-

No financial assets at fair value through profit or loss are past due.

The table below analyses financial instruments at fair value through profit or loss at 31 March 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	8 734 459	3 073 552	11 808 011
- Equity investments	203 255	-	203 255
- Derivative liabilities	15 693	-	15 693
	8 953 407	3 073 552	12 026 959

The table below analyses financial instruments at fair value through profit or loss at 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised:

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	5 021 688	4 803 652	9 825 340
- Derivative assets	25 291	-	25 291
	5 046 979	4 803 652	9 850 631

14 Due from banks

	31 March 2012 RUB'000	31 December 2011 RUB'000
Nostro accounts		
- OECD banks	159 293	167 619
- Largest 30 Russian banks	99 690	156 091
- Other Russian banks	138 888	275 065
- Other foreign banks	145 433	48 011
Total nostro accounts	543 304	646 786
Term deposits		
- OECD banks	507 957	485 589
- Largest 30 Russian banks	70 011	167 010
- Other foreign banks	-	12 636
- Other Russian banks	83 013	2 315
Total term deposits	660 981	667 550
	1 204 285	1 314 336

None of due from banks balances are impaired or past due.

As at 31 March 2012 the Group has no banks (31 December 2011: no banks), whose balances individually exceed 10% of equity.

15 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repo agreements showing individual types of securities received as collateral under repo agreements outstanding as at 31 March 2012:

	Corporate bonds	Total
Amounts receivable under reverse repurchase agreements		
- Other financial institutions	48 175	48 175
	48 175	48 175

None of amounts receivable under reverse repurchase agreements are impaired or past due.

There are no receivables under reverse repurchase agreements as at 31 December 2011.

16 Loans to customers

	31 March 2012 RUB'000	31 December 2011 RUB'000
Loans to corporate customers	14 651 640	13 877 657
Loans to retail customers		
Consumer loans	25 769 354	23 180 556
Mortgage loans	2 932 964	2 601 255
Total loans to retail customers	28 702 318	25 781 811
Gross loans to customers	43 353 958	39 659 468
Impairment allowance	(1 949 817)	(1 808 105)
Net loans to customers	41 404 141	37 851 363

Movements in the loan impairment allowance by classes of loans to customers for the 3 months ended 31 March 2012 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at 1 January 2012	347 376	1 460 729	1 808 105
Net charge / (recovery)	(8 752)	284 607	275 855
Write-offs	(1 170)	(132 973)	(134 143)
Balance at 31 March 2012	337 454	1 612 363	1 949 817

Movements in the loan impairment allowance by classes of loans to customers for the 3 months ended 31 March 2011 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at 1 January 2011	296 833	1 503 159	1 799 992
Net charge	10 982	191 320	202 302
Write-offs	-	(129 032)	(129 032)
Balance at 31 March 2011	307 815	1 565 447	1 873 262

Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 March 2012:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans without individual signs of impairment	12 068 239	(133 654)	11 934 585	1.11%
Watch list loans	2 151 481	(24 889)	2 126 592	1.16%
Impaired loans:				
- not overdue	57 825	(660)	57 165	1.14%
- overdue less than 90 days	78 789	(7 626)	71 163	9.68%
- overdue more than 90 days and less than 1 year	110 012	(81 289)	28 723	73.89%
- overdue more than 1 year	185 294	(89 336)	95 958	48.21%
Total impaired loans	431 920	(178 911)	253 009	41.42%
Total loans to corporate customers	14 651 640	(337 454)	14 314 186	2.30%
Loans to retail customers				
Consumer loans				
- not overdue	22 420 260	(66 705)	22 353 555	0.30%
- overdue less than 30 days	699 391	(14 138)	685 253	2.02%
- overdue 30-89 days	489 468	(124 160)	365 308	25.37%
- overdue 90-179 days	376 623	(165 707)	210 916	44.00%
- overdue more than 180 days	1 783 612	(1 214 068)	569 544	68.07%
Total consumer loans	25 769 354	(1 584 778)	24 184 576	6.15%
Mortgage loans				
- not overdue	2 887 095	(1 653)	2 885 442	0.06%
- overdue less than 30 days	4 688	(166)	4 522	3.54%
- overdue 30-89 days	5 443	(830)	4 613	15.25%
- overdue 90-179 days	4 188	(1 893)	2 295	45.20%
- overdue more than 180 days	31 550	(23 043)	8 507	73.04%
Total mortgage loans	2 932 964	(27 585)	2 905 379	0.94%
Total loans to retail customers	28 702 318	(1 612 363)	27 089 955	5.62%
Total loans to customers	43 353 958	(1 949 817)	41 404 141	4.50%

The following table provides information on the credit quality of loans to customers as at 31 December 2011:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	RUB'000	RUB'000	RUB'000	%
Loans to corporate customers				
Loans without individual signs of impairment	11 957 340	(134 974)	11 822 366	1.13%
Watch list loans	1 367 183	(15 814)	1 351 369	1.16%
Impaired loans:				
- not overdue	238 454	(824)	237 630	0.35%
- overdue less than 90 days	33 237	(6 990)	26 247	21.03%
- overdue more than 90 days and less than 1 year	96 149	(91 438)	4 711	95.10%
- overdue more than 1 year	185 294	(97 336)	87 958	52.53%
Total impaired loans	553 134	(196 588)	356 546	35.54%
Total loans to corporate customers	13 877 657	(347 376)	13 530 281	2.50%
Loans to retail customers				
Consumer loans				
- not overdue	20 398 665	(59 443)	20 339 222	0.29%
- overdue less than 30 days	505 358	(10 344)	495 014	2.05%
- overdue 30-89 days	286 245	(74 957)	211 288	26.19%
- overdue 90-179 days	271 285	(122 591)	148 694	45.19%
- overdue more than 180 days	1 719 003	(1 165 340)	553 663	67.79%
Total consumer loans	23 180 556	(1 432 675)	21 747 881	6.18%
Mortgage loans				
- not overdue	2 555 556	(1 484)	2 554 072	0.06%
- overdue less than 30 days	1 703	(60)	1 643	3.55%
- overdue 30-89 days	7 339	(686)	6 653	9.35%
- overdue 90-179 days	2 103	(637)	1 466	30.29%
- overdue more than 180 days	34 554	(25 187)	9 367	72.89%
Total mortgage loans	2 601 255	(28 054)	2 573 201	1.08%
Total loans to retail customers	25 781 811	(1 460 729)	24 321 082	5.67%
Total loans to customers	39 659 468	(1 808 105)	37 851 363	4.56%

17 Net investments in finance leases

Net investments in finance leases as of 31 March 2012 comprise:

	31 March 2012 RUB'000	31 December 2011 RUB'000
Gross investments in finance leases	2 395 444	2 216 820
Less unearned finance lease income	(561 306)	(537 086)
	1 834 138	1 679 734
Less allowance for impairment	(37 102)	(36 995)
Net investments in finance leases	1 797 036	1 642 739

Net investments in finance leases generally comprise lease contracts on various types of equipment and vehicles.

Future minimum lease payments to be received following 31 March 2012 are disclosed below:

	31 March 2012 RUB'000	31 December 2011 RUB'000
Within 1 year	1 048 170	919 853
From 1 to 5 years	1 323 698	1 267 581
More than 5 years	23 576	29 386
Minimum lease payments receivable	2 395 444	2 216 820

Gross investment in leases as of 31 March 2012 is receivable in the following currencies:

	31 March 2012 RUB'000	31 December 2011 RUB'000
RUB	2 180 496	1 956 987
USD	208 014	243 656
EUR	6 934	16 177
Gross investments in finance leases	2 395 444	2 216 820

Movements in the loan impairment allowance for investments in finance leases for the 3 months ended 31 March 2012 are as follows:

	RUB'000
Balance at 1 January 2012	36 995
Net charge	107
Balance at 31 March 2012	37 102

Movements in the loan impairment allowance for investments in finance leases for the 3 months ended 31 March 2011 are as follows:

	RUB'000
Balance at 1 January 2011	40 653
Net recovery	(1 157)
Balance at 31 March 2011	39 496

18 Property, equipment and intangible assets

RUB'000	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Computers and equipment</u>	<u>Fixtures and fittings</u>	<u>Vehicles</u>	<u>Intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost								
Balance at 1 January 2012	3 589 540	5 288	447 627	38 667	116 677	227 249	191 405	4 616 453
Additions	-	-	32 437	136	1 071	7 027	22 242	62 913
Disposals	-	-	(7 050)	(42)	(218)	(7 250)	-	(14 560)
At 31 March 2012	<u>3 589 540</u>	<u>5 288</u>	<u>473 014</u>	<u>38 761</u>	<u>117 530</u>	<u>227 026</u>	<u>213 647</u>	<u>4 664 806</u>
Depreciation and impairment losses								
Balance at 1 January 2012	4 104	574	280 946	36 320	18 520	55 844	-	396 308
Depreciation for the year	10 990	26	15 934	188	1 476	6 511	-	35 125
Disposals	-	-	(368)	(42)	(218)	(2 217)	-	(2 845)
Balance at 31 March 2012	<u>15 094</u>	<u>600</u>	<u>296 512</u>	<u>36 466</u>	<u>19 778</u>	<u>60 138</u>	<u>-</u>	<u>428 588</u>
Carrying amounts								
At 31 March 2012	<u>3 574 446</u>	<u>4 688</u>	<u>176 502</u>	<u>2 295</u>	<u>97 752</u>	<u>166 888</u>	<u>213 647</u>	<u>4 236 218</u>
At 1 January 2012	<u>3 585 436</u>	<u>4 714</u>	<u>166 681</u>	<u>2 347</u>	<u>98 157</u>	<u>171 405</u>	<u>191 405</u>	<u>4 220 145</u>

RUB'000	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Computers and equipment</u>	<u>Fixtures and fittings</u>	<u>Vehicles</u>	<u>Intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost								
Balance at 1 January 2011	1 628 530	5 288	470 208	37 907	30 383	96 948	147 301	2 416 565
Additions	113 981	-	31 134	187	474	538	72 841	219 155
Disposals	-	-	(28 723)	-	(368)	(3 783)	-	(32 874)
At 31 March 2011	<u>1 742 511</u>	<u>5 288</u>	<u>472 619</u>	<u>38 094</u>	<u>30 489</u>	<u>93 703</u>	<u>220 142</u>	<u>2 602 847</u>
Depreciation and impairment losses								
Balance at 1 January 2011	172 148	468	272 124	35 581	14 535	29 951	-	524 807
Depreciation for the year	7 932	26	19 469	227	1 164	4 734	-	33 552
Disposals	-	-	(1 119)	-	-	(1 117)	-	(2 236)
Balance at 31 March 2011	<u>180 080</u>	<u>494</u>	<u>290 474</u>	<u>35 808</u>	<u>15 699</u>	<u>33 568</u>	<u>-</u>	<u>556 123</u>
Carrying amounts								
At 31 March 2011	<u>1 562 431</u>	<u>4 795</u>	<u>182 145</u>	<u>2 286</u>	<u>14 790</u>	<u>60 135</u>	<u>220 142</u>	<u>2 046 724</u>
At 1 January 2011	<u>1 456 382</u>	<u>4 820</u>	<u>198 084</u>	<u>2 326</u>	<u>15 848</u>	<u>66 997</u>	<u>147 301</u>	<u>1 891 758</u>

Revalued assets

At 31 December 2011 buildings are revalued based on the results of an independent appraisal performed by S.A.Ricci.

The basis used for the appraisal is the combination of market and income approaches weighted on 50%/50% basis.

The market approach is based upon an analysis of the results of comparable sales of similar buildings. Adjustments were applied for location, size, condition, design, bargain discount, date of offer, and parking.

The following key assumptions are used in applying the income capitalization approach:

- The rental rates applied by the Appraiser were calculated based on the analysis of comparable properties' rental rates;
- The vacancy rate of 5% was assumed for the properties with the total area less than 150 m2, the vacancy rate of 7% was assumed for the properties with the total area of 150 to 500 m2, the vacancy rate of 10% was used for the properties with the total area of more than 500 m2;
- The capitalisation rate of 13% was assumed for large cities (regional centres) and 14% for small cities. For the office building located in Moscow, the capitalisation rate of 10% was assumed based on the Appraiser's internal research (S.A.Ricci).

The values assigned to the key assumptions represent management's assessment of future business trends and are based on both external sources and internal sources of information.

Changes in the estimates above could effect the value of the buildings. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the building valuation as at 31 December 2011 would be RUB 47 049 thousand lower/higher (31 December 2010: no revaluation).

The carrying value of buildings as at 31 December 2011, if the buildings would not have been revalued, would be RUB 2 651 847 thousand (31 December 2010: no revaluation).

19 Other assets

	31 March 2012 RUB'000	31 December 2011 RUB'000
Other receivables	154 501	131 524
Total other financial assets	154 501	131 524
Prepayments for assets to be leased under finance lease	457 180	461 195
Prepayments	363 463	338 744
Advances on precious metals delivery	350 428	324 363
Materials and supplies	25 333	26 419
Other	175 068	170 706
Total other non-financial assets	1 371 472	1 321 427
Total other assets	1 525 973	1 452 951

20 Deposits and balances from banks

	31 March 2012 RUB'000	31 December 2011 RUB'000
Vostro accounts	36 600	331 144
Term deposits	4 930 488	3 578 807
	4 967 088	3 909 951

As at 31 March 2012 the Group has two banks (31 December 2011: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 March 2012 is RUB 2 708 371 thousand (31 December 2011: RUB 1 803 707 thousand).

Covenants

As at 31 March 2012, the Group has term deposits from one bank amounting to RUB 815 618 thousand repayable on 23 December 2013 and term deposits amounting to RUB 678 734 thousand repayable on 27 July 2016 (31 December 2011: RUB 917 993 thousand and RUB 704 346 thousand appropriately). According to the terms of the agreements, the Group is subject to a debt covenant stating that funds should be used for loan issuance to small and medium size entities. The Bank should comply with all ratios of the CBR and the N1 ratio should be not less than 10.1%.

As at 31 March 2012, the Group has term deposits from another bank amounting to RUB 330 909 thousand repayable on 15 June 2015 (31 December 2011: RUB 332 920 thousand). According to the terms of the agreement the Group is subject to a debt covenant stating that funds should be used for issuance of loans to small and medium size entities and at the end of each year should comply with a number of financial and non-financial covenants.

The Group did not breach any covenants described above.

21 Current accounts and deposits from customers

	31 March 2012 RUB'000	31 December 2011 RUB'000
Current accounts and demand deposits		
- Retail	3 322 291	3 284 368
- Corporate	8 965 833	9 772 574
Term deposits		
- Retail	30 691 862	25 651 605
- Corporate	6 233 170	7 632 075
	49 213 156	46 340 622

As at 31 March 2012, the Group has no customers (31 December 2011: no customers), whose balances individually exceed 10% of equity.

22 Other liabilities

	31 March 2012 RUB'000	31 December 2011 RUB'000
Payables to employees	124 045	272 264
Payables to creditors	102 388	247 703
Provision for guarantees and letters of credit issued	18 600	16 553
Other taxes payable	48 868	6 804
Other non-financial liabilities	12 885	7 982
	306 786	551 306

23 Earnings per share

	31 March 2012 RUB	31 March 2011 RUB
Earnings per share	0,0000001831	0,0000000502
Basic earnings per share		

The calculation of basic earnings per share as at 31 March 2012 and 31 March 2011 is based on the profit attributable to ordinary shareholders of RUB 906 279 thousand (31 March 2011: RUB 248 710 thousand), and a weighted average number of ordinary shares outstanding of 4 949 019 820 939 000 (31 March 2011: 4 949 019 820 939 000).

24 Analysis by segment

The Group has fifteen branches located in different regions of Russian Federation, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a monthly basis. The Group combined branches into three reporting units based on geographical location: Far East region, Siberia region and West region.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are based on statutory financial information and that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries.

Segment breakdown of assets and liabilities is set out below:

	31 March 2012	31 December 2011
	RUB'000	RUB'000
ASSETS		
Far East region	31 041 801	28 491 545
Siberia region	15 247 833	13 806 811
West region	16 343 018	14 962 925
Total assets	62 632 652	57 261 281
LIABILITIES		
Far East region	39 305 078	37 674 212
Siberia region	8 155 825	6 990 091
West region	6 842 190	5 170 398
Total liabilities	54 303 093	49 834 701

Segment information for the main reportable segments on profit and losses for the 3 months ended 31 March 2012 is set below:

RUB'000	Far East region	Siberia region	West region	Total
External interest income	1 136 757	644 046	172 157	1 952 960
Fee and commission income	350 767	190 544	21 467	562 778
Net (loss) gain on financial instruments at fair value through profit or loss	-	-	242 623	242 623
Net foreign exchange income	36 499	21 453	29 316	87 268
Net loss on available-for-sale financial assets	-	-	-	-
Other operating income	42 265	22 821	482	65 568
Revenue	1 566 288	878 864	466 045	2 911 197
Impairment losses (recovery)	276 330	106 236	23 597	406 163
Interest expense	652 238	145 232	85 755	883 225
Fee and commission expense	5 851	3 224	2 589	11 664
Other general administrative expenses	547 577	184 493	30 060	762 130
Segment result	84 292	439 679	324 044	848 015
Income tax expense				111 736
Net profit after taxes				736 279

Segment information for the main reportable segments on profit and losses for the 3 months ended 31 March 2011 is set below:

RUB'000	Far East region	Siberia region	Moscow	Total
External interest income	658 113	300 172	233 756	1 192 041
Fee and commission income	237 563	95 756	16 409	349 728
Net gain on other financial instruments at fair value through profit or loss	(151)	-	74 423	74 272
Net foreign exchange income	20 479	11 495	6 338	38 312
Net gain on available-for-sale financial assets	-	-	2 065	2 065
Other operating income	29 900	12 083	1 352	43 335
Revenue	945 904	419 506	334 343	1 699 753
Impairment losses (recovery)	120 614	146 480	(51 590)	215 504
Interest expense	69 536	132 684	396 863	599 083
Fee and commission expense	4 928	2 241	2 705	9 874
Other general administrative expenses	471 498	104 161	19 713	595 372
Segment result	279 328	33 940	(33 348)	279 920
Income tax expense				115 840
Net profit after taxes				164 080

Reconciliations of reportable segment profit or loss

	31 March 2012 RUB'000	31 March 2011 RUB'000
Profit or loss		
Total profit or loss for reportable segments	736 279	164 080
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	243 509	68 810
- allowance for impairment	130 309	9 754
- depreciation and amortisation of property and equipment and intangible assets	2 285	1 188
- other adjustments	(206 103)	4 878
Consolidated profit or loss	906 279	248 710

25 Risk management*a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 March 2012 and 31 December 2011. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 March 2012 Average effective interest rate, %			31 December 2011 Average effective interest rate, %		
	RUB	USD	Other currencies	RUB	USD	Other currencies
Interest bearing assets						
Term deposits with the CBR	-	-	-	4%	-	-
Financial instruments at fair value through profit or loss	8%	8%	-	7%	9%	-
Due from banks						
- nostro accounts	-	-	-	2%	-	-
- term deposits	7%	-	-	8%	11%	-
Amounts receivable under reverse repurchase agreements	6%	-	-	-	-	-
Loans to customers	23%	10%	12%	23%	10%	12%
Net investments in finance leases	26%	20%	35%	23%	20%	35%
Interest bearing liabilities						
Deposits and balances from banks	9%	3%	-	9%	-	-
Current accounts and deposits from customers	9%	6%	6%	9%	6%	6%
Promissory notes	8%	-	9%	8%	-	9%

b) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency structure of assets and liabilities as at 31 March 2012:

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
ASSETS						
Cash	1 097 447	386 212	182 401	-	43 322	1 709 382
Placements with the Central Bank of Russia	1 643 709	-	-	-	-	1 643 709
Financial instruments at fair value through profit or loss	11 024 784	986482	-	-	-	12 011 266
Due from banks	640 624	437 043	22 976	68 060	35 582	1 204 285
Amounts receivable under reverse repurchase agreements	48 175	-	-	-	-	48 175
Loans to customers	40 305 800	906 286	192 055	-	-	41 404 141
Net investments in finance leases	1 647 784	143 100	6 152	-	-	1 797 036
Current tax asset	1 766	-	-	-	-	1 766
Deferred tax asset	8 660	-	-	-	-	8 660
Property, equipment and intangible assets	4 236 218	-	-	-	-	4 236 218
Other assets	1 415 745	78 228	32000	-	-	1 525 973
Total assets	62 070 712	2 937 351	435 584	68 060	78 904	65 590 611

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES						
Derivative financial instruments	-	15693	-	-	-	15693
Deposits and balances from banks	4 766 889	200 199	-	-	-	4 967 088
Current accounts and deposits from customers	43 597 646	3 547 067	812 408	1 065 111	190 924	49 213 156
Promissory notes	1 013 542	-	1 479	-	-	1 015 021
Current tax liability	3 337	-	-	-	-	3 337
Deferred tax liability	439 075	-	-	-	-	439 075
Other liabilities	298 586	4760	3 440	-	-	306 786
Total liabilities	50 119 075	3 767 719	817 327	1 065 111	190 924	55 960 156
Net position	11 951 637	(830 368)	(381 743)	(997 051)	(112 020)	9 630 455

The following table shows the foreign currency structure of assets and liabilities as at 31 December 2011:

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
ASSETS						
Cash	1 852 999	272 560	166 390		31 716	2 323 665
Placements with the Central Bank of Russia	1 854 991	-	-	-	-	1 854 991
Financial instruments at fair value through profit or loss	9 766 858	65 154	-	18 619	-	9 850 631
Due from banks	680 054	331 247	204 973	83 939	14 123	1 314 336
Loans to customers	36 627 732	911 517	312 114	-	-	37 851 363
Net investments in finance leases	1 472 513	158 512	11 714	-	-	1 642 739
Current tax asset	10 538	-	-	-	-	10 538
Deferred tax asset	8 660	-	-	-	-	8 660
Property, equipment and intangible assets	4 220 145	-	-	-	-	4 220 145
Other assets	1 317 086	111 706	24 159	-	-	1 452 951
Total assets	57 811 576	1 850 696	719 350	102 558	45 839	60 530 019

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES						
Deposits and balances from banks	3 665 078	235 178	7 100	-	2 595	3 909 951
Current accounts and deposits from customers	42 403 485	2 048 969	620 607	1 262 964	4 597	46 340 622
Promissory notes	536 100	-	1 574	-	-	537 674
Current tax liability	153 390	-	-	-	-	153 390
Deferred tax liability	312 900	-	-	-	-	312 900
Other liabilities	502 371	43 654	5 281	-	-	551 306
Total liabilities	47 573 324	2 327 801	634 562	1 262 964	7 192	51 805 843
Net position	10 238 252	(477 105)	84 788	(1 160 406)	38 647	8 724 176
The effect of derivatives held for risk management	(1 631 130)	476 270	-	1 154 860	-	-
Net position after derivatives held for risk management purposes	8 607 122	(835)	84 788	(5 546)	38 647	8 724 176

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 March 2012:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash	1 709 382	-	-	-	-	-	1 709 382
Placements with the Central Bank of Russia	1 068 100	-	-	-	-	575 609	1 643 709
Financial instruments at fair value through profit or loss	9 716 468	695 711	1 599 087	-	-	-	12 011 266
Due from banks	719 390	-	374 000	-	-	110 895	1 204 285
Amounts receivable under reverse repurchase agreements	48 175	-	-	-	-	-	48 175
Loans to customers	1 605 017	4 313 300	14 939 881	17 809 969	2 735 974	-	41 404 141
Net investments in finance leases	62 549	117 274	497 731	1 094 037	25 446	-	1 797 036
Current tax asset	1 766	-	-	-	-	-	1 766
Deferred tax asset	-	-	-	-	-	8 660	8 660
Property, equipment and intangible assets	-	-	-	-	-	4 236 218	4 236 218
Other assets	1 222 719	55 137	248 117	-	-	-	1 525 973
Total assets	16 153 565	5 181 422	17 658 816	18 904 006	2 761 420	4 931 382	65 590 611
Liabilities							
Derivative financial instruments	15693	-	-	-	-	-	15693
Deposits and balances from banks	427 416	510 802	1 015 568	2 991 192	22 111	-	4 967 088
Current accounts and deposits from customers	17 985 259	4 734 576	17 617 464	8 875 857	-	-	49 213 156
Promissory notes	54 000	690 611	244 682	2 007	23 721	-	1 015 021
Current tax liability	3 337	-	-	-	-	-	3 337
Deferred tax liability	-	-	-	-	-	439 075	439 075
Other liabilities	114 315	192 471	-	-	-	-	306 786
Total liabilities	18 600 020	6 128 460	18 877 714	11 869 056	45 832	439 075	55 960 156
Net position	-2 446 454	(947 038)	(1 218 897)	7 034 950	2 715 588	4 492 307	9 630 455

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2011:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash	2 323 665	-	-	-	-	-	2 323 665
Placements with the Central Bank of Russia	1 370 210	-	-	-	-	484 781	1 854 991
Financial instruments at fair value through profit or loss	5 046 979	1 160 580	3 643 072	-	-	-	9 850 631
Due from banks	824 766	-	378 675	-	-	110 895	1 314 336
Loans to customers	1 605 018	2 813 300	12 887 102	17 809 969	2 735 974	-	37 851 363
Net investments in finance leases	62 549	97 274	437 730	1 019 740	25 446	-	1 642 739
Current tax asset	10 538	-	-	-	-	-	10 538
Deferred tax asset	-	-	-	-	-	8 660	8 660
Property, equipment and intangible assets	-	-	-	-	-	4 220 145	4 220 145
Other assets	1 149 697	55 137	248 117	-	-	-	1 452 951
Total assets	12 393 422	4 126 291	17 594 696	18 829 709	2 761 420	4 824 481	60 530 019
Liabilities							
Deposits and balances from banks	386 372	130 751	914 551	2 459 000	19 277	-	3 909 951
Current accounts and deposits from customers	15 112 725	4 734 576	17 617 464	8 875 857	-	-	46 340 622
Promissory notes	148 645	171 288	192 007	2 007	23 727	-	537 674
Current tax liability	13 351	140 039	-	-	-	-	153 390
Deferred tax liability	-	-	-	-	-	312 900	312 900
Other liabilities	358 835	192 471	-	-	-	-	551 306
Total liabilities	16 019 928	5 369 125	18 724 022	11 336 864	43 004	312 900	51 805 843
Net position	(3 626 506)	(1 242 834)	(1 129 326)	7 492 845	2 718 416	4 511 581	8 724 176

26 Capital management

The CBR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2012 and 31 December 2011, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basle Accord as at 31 March:

	31 March 2012 RUB'000	31 December 2011 RUB'000
Tier 1 capital		
Share capital	562 312	562 312
Share premium	1 192 723	1 192 723
Retained earnings	6 521 956	5 615 677
Total tier 1 capital	8 276 991	7 370 712
Tier 2 capital		
Revaluation surplus for buildings	1 353 464	1 353 464
Total tier 2 capital	1 353 464	1 353 464
Total capital	9 630 455	8 724 176
Risk-weighted assets		
Banking book	52 145 024	48 782 973
Trading book	6 240 344	3 110 545
Total risk weighted assets	58 385 368	51 893 518
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	16.49%	16.81%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	14.18%	14.20%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the methodology of International Finance Corporation (IFC) established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements.

27 Commitments

	31 March 2012	31 December 2011
	RUB'000	RUB'000
Contracted amount		
Guarantees and letters of credit	1 399 837	2 213 476
Undrawn overdraft facilities	2 599 662	2 411 578
Loan and credit line commitments	385 329	599 665
	4 384 828	5 224 719

28 Cash and cash equivalents

	31 March 2012	31 December 2011
	RUB'000	RUB'000
Cash on hand	1 709 382	2 323 665
Nostro accounts with the CBR	1 068 100	1 020 172
Nostro accounts with other banks	543 304	646 786
Term deposits with the CBR	-	350 038
Term deposits with other banks	164 712	177 958
Total cash and cash equivalents	3 485 498	4 518 619

None of cash and cash equivalents are impaired or past due.

29 Related party transactions

(a) Control relationships

The Group's parent company is LLC "PPFIN Region" (Russian Federation). As of 31 March 2012, the ultimate beneficial owners of the Group were Mr. Andrey Vdovin (the owner of 16.8109%), Mr. Kirill Yakubovsky (the owner of 16.8109%), Mr. Pavel Maslovsky (the owner of 16.8109%), Mr. Peter Hambro (the owner of 16.8109%), East Capital Explorer Financial Institution Fund (Sweden) (the owner of 17.91%), International Finance Corporation (6.99%) and Mr. Evgeniy Aksenov (the owner of 5.21%).

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the 3 months ended 31 March is as follows:

	31 March 2012	31 March 2011
	RUB'000	RUB'000
Short term employee benefits	16 572	16 725
	16 572	16 725

The outstanding balances and average interest rates as at 31 March 2012 and 31 December 2011 for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 March 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	-	-	6 748	13.16%
Other assets	-	-	7	-
LIABILITIES				
Current accounts and deposits from customers	59 158	9.25%	65 974	9.30%
Other liabilities	-	-	117	-

Amounts included in consolidated interim condensed statement of comprehensive income in relation to transactions with the members of the Board of Directors and the Management Board for the 3 months ended 31 March are as follows:

	31 March 2012 RUB'000	31 March 2011 RUB'000
Consolidated interim condensed statement of comprehensive income		
Interest income	96	-
Interest expense	(415)	(185)

(c) Transactions with shareholders

The outstanding balances and average interest rates as at 31 March 2012 and 31 December 2011 for transactions with shareholders:

	31 March 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Other assets	-	-	41	-
LIABILITIES				
Deposits and balances from banks	333 018	14.54%	332 920	14.54%
Current accounts and deposits	47 072	11.07%	380 120	11.07%

Amounts included in consolidated statement of comprehensive income in relation to transactions with shareholders for the 3 months ended 31 March are as follows:

	31 March 2012 RUB'000	31 March 2011 RUB'000
Consolidated interim condensed statement of comprehensive income		
Interest expense	(11 854)	(14 996)

(d) Transactions with Banking Holding Group

The Group is part of a holding group (the "Banking Holding Group") which as at 31 March 2012 and 31 December 2011 includes VMHY Holding, the parent company of LLC "PPFIN Region".

The outstanding balances and average interest rates as at 31 March 2012 and 31 December 2011 for transactions with the Banking Holding Group are as follows:

	31 March 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits	91 014	13%	140 185	13%

Amounts included in consolidated statement of comprehensive income in relation to transactions with the Banking Holding Group for the 3 months ended 31 March are as follows:

	31 March 2012 RUB'000	31 March 2011 RUB'000
Consolidated interim condensed statement of comprehensive income		
Interest income	-	2 209
Interest expense	4 194	-
Impairment loss recovery /(origination)	-	3 280

(e) Transactions with other related parties

The outstanding balances and average interest rates as at 31 March 2012 and 31 December 2011 for transactions with other related parties are as follows:

	31 March 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Due from banks	4 637	-	5 931	-
Loans to customers	895 089	10.82%	955 812	10.69%
Other assets	-	-	2 855	-
LIABILITIES				
Deposits and balances from banks	185 458	13%	44	-
Current accounts and deposits from customers	278 916	7.00%	817 334	6.48%
Other liabilities	-	-	349	-
Commitments				
Guarantees and letters of credit	31 122	-	36 123	-
Undrawn loan commitments and overdraft	293 282	-	500	-

Amounts included in consolidated interim condensed statement of comprehensive income in relation to transactions with other related parties for the 3 months ended 31 March are as follows:

	31 March 2012	31 March 2011
	RUB'000	RUB'000
Consolidated interim condensed statement of comprehensive income		
Interest income	6 375	5 353
Interest expense	(10 050)	(8 063)
Impairment loss origination	(5 809)	(8 390)

30 Events after the reporting date

The Annual Shareholders Meeting of the Bank held on 6 April 2012 approved dividends for 2011 amounting to of RUB 450 000 thousand (RUB 0.000000090927095 per ordinary share).