Novosibirsk Social Commercial Bank "Levoberezhny"
(Open Joint Stock Company)

Financial Statements and Independent Auditors' Report

31 December 2011

Contents

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of the Novosibirsk Social Commercial Bank "Levoberezhny" OJSC ("the Bank"). They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and necessarily include amounts based on judgements and estimates by management.

The Bank maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Bank's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

Approved on behalf of the Board on 17 May 2012

Shaporenko V.V.
General Director

Kolesnikova S. V.
Chief Accountant

MOORE STEPHENS

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Management Board and Board of Directors of Novosibirsk Social Commercial Bank "Levoberezhny" (OJSC):

Report on the financial statements

We have audited the accompanying financial statements of the Novosibirsk Social Commercial Bank "Levoberezhny" (OJSC) (further "the Bank"), which comprise the Statement of Financial Position as at 31 December 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Bank's Shareholders, Management Board and Board of Directors ("Management") of the Bank, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Management and Shareholders of the Bank those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank's Shareholders and Management, as a body, for our audit work, for this report, or for the opinions we have formed.

Management's responsibility for the financial statements

Management is responsible for the preparation 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 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 the Bank as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with IFRS.

OOO Moore Stephens
38, Stremyanny Pereulok
Moscow, 115054
Russian Federation
17 May 2012

OOO Moore Stephens

Novosibirsk Social Commercial Bank "Levoberezhny" (OJSC)
Statement of Financial Position as at 31 December 2011
In thousands of Russian Roubles

	Notes	31 December 2011	31 December 2010
Assets			
Cash and cash equivalents	5	1,772,479	2,542,293
Mandatory cash balances with the CBRF	6	185,335	78,958
Due from financial institutions	8	1,349,772	393,995
Financial assets at fair value through profit or loss	7	1,380,906	1,776,634
Financial assets held to maturity	9	402,597	694,663
Loans and advances to customers	10	12,979,017	7,027,135
Investment property	11	21,936	113,872
Property, plant and equipment	12	853,253	811,666
Other assets	13	99,983	101,249
Total assets		**19,045,278**	**13,540,465**
Liabilities			
Due to financial institutions	14	249,778	291,334
Customer accounts	15	16,039,654	11,276,004
Debt securities issued	16	94,160	4,578
Subordinated debt	17	255,000	-
Deferred tax liability	27	82,702	101,254
Other liabilities	18	74,272	62,392
Total liabilities		**16,795,566**	**11,735,562**
Equity			
Share capital	19	549,956	549,956
Premises revaluation reserve		223,696	229,270
Retained earnings		1,476,060	1,025,677
Total equity		**2,249,712**	**1,804,903**
Total liabilities and equity		**19,045,278**	**13,540,465**
Total credit related commitments	30	**1,706,887**	**912,147**

Approved on behalf of the Board on 17 May 2012

Shaporenko V.V.
General Director

Kolesnikova S.V.
Chief Accountant

The accompanying notes on pages 5 to 69 form an integral part of these financial statements

Novosibirsk Social Commercial Bank "Levoberezhny" (OJSC)
Statement of Comprehensive Income for the year ended 31 December 2011
In thousands of Russian Roubles

	Notes	2011	2010
Interest income	20	2,215,153	1,706,970
Interest expense	20	(710,444)	(631,732)
Net interest income		**1,504,709**	**1,075,238**
Allowance for impairment of interest bearing assets	10	(200,523)	(184,937)
Net interest income after allowance for impairment of interest bearing assets		**1,304,186**	**890,301**
Net (losses)/ gains from dealing with securities	21	(28,871)	20,075
Net gains from operations with foreign currencies	22	94,685	59,361
Net gains from revaluation of assets/ liabilities denominated in foreign currencies		1,319	9,194
Value transfer on loans given and promissory notes purchased at less than commercial rates		(6,384)	(35,895)
Commission income	23	505,275	327,635
Commission expense	23	(88,568)	(60,599)
Net gains arising from sales of mortgage loans		5,909	1,138
Other operating income	24	24,712	21,986
Net operating income		**1,812,263**	**1,233,196**
Staff costs	25	(651,462)	(399,217)
Operating expenses	26	(568,439)	(357,774)
Movement on allowance for other assets	13	(134)	(987)
Profit before taxation		**592,228**	**475,218**
Income tax	27	(98,980)	(80,880)
Net profit		**493,248**	**394,338**
Other comprehensive income			
Gains on revaluation of premises		-	70,841
Profit tax component of other comprehensive income		-	(14,168)
Other comprehensive income, net of tax		-	**56,673**
Comprehensive income		**493,248**	**451,011**

Approved on behalf of the Board on 17 May 2012

Shaporenko V.V.
General Director

Kolesnikova S.V.
Chief Accountant

Novosibirsk Social Commercial Bank "Levoberezhny" (OJSC)
Statement of Cash Flows for the year ended 31 December 2011
In thousands of Russian Roubles

	Notes	2011	2010
Cash flow from operating activities			
Interest received		1,875,762	1,385,978
Interest paid		(614,652)	(537,483)
Commissions received		504,657	328,900
Commissions paid		(88,568)	(60,599)
Gains from dealing with securities		29,329	63,717
Gains from dealing with foreign currency		96,945	59,741
Other operating income		18,803	23,124
Operating expense		(1,091,467)	(702,731)
Income tax paid		(117,622)	(81,536)
Operating profit before changes in operating assets and liabilities		**613,187**	**479,111**
Cash flows from changes in operating assets and liabilities			
Net (increase)/ decrease in assets:			
Mandatory cash balances with the CBRF		(106,377)	(24,461)
Due from financial institutions		(955,777)	(3,405)
Financial assets at fair value through profit or loss		395,728	(324,470)
Loans and advances to customers		(5,869,231)	(2,623,717)
Other assets		1,200	(11,437)
Net (decrease)/ increase in liabilities:			
Due to financial institutions		(41,556)	15,721
Customer accounts		4,667,858	2,511,007
Debt securities issued		89,582	(33,944)
Other liabilities		(11,699)	12,978
Net cash used in operating activities		**(1,217,085)**	**(2,617)**
Cash flow from investing activities			
Purchase of financial assets held to maturity		(279,260)	(512,566)
Proceeds from redemption of financial assets held to maturity		569,343	179,003
Proceeds from sale of investment property	11	54,253	-
Proceeds from sale of premises and equipment	12	70,582	-
Purchase of premises and equipment	12	(175,527)	(92,652)
Net cash generated from/ (used in) investing activities		**239,391**	**(426,215)**
Cash flow from financing activities			
Repayment of subordinated loan	17	-	(35,000)
Receipt of subordinated loans	17	255,000	-
Dividends paid	19	(48,439)	(29,042)
Net cash generated from/ (used in) financing activities		**206,561**	**(64,042)**
Effect of foreign exchange movements on cash and cash equivalents		1,319	9,194
Net decrease in cash and cash equivalents		**(769,814)**	**(483,680)**
Cash and cash equivalents at the beginning of the year		**2,542,293**	**3,025,973**
Cash and cash equivalents at the end of the year	5	**1,772,479**	**2,542,293**

Approved on behalf of the Board on 17 May 2012

Shaporenko V.V.
General Director

Kolesnikova S.V.
Chief Accountant

Novosibirsk Social Commercial Bank «Levoberezhny» (OJSC)
Statements of Changes in Equity for the year ended 31 December 2011
In thousands of Russian Roubles

	Notes	Share capital	Premises revaluation reserve	Retained earnings	Total equity
31 December 2009		**549,956**	**178,305**	**654,673**	**1,382,934**
Total comprehensive income		-	56,673	394,338	451,011
Transfer of annual release from premises revaluation reserve		-	(5,708)	5,708	-
Dividends declared	**19**	-	-	(29,042)	(29,042)
31 December 2010		**549,956**	**229,270**	**1,025,677**	**1,804,903**
Total comprehensive income		-	-	493,248	493,248
Transfer of annual release from premises revaluation reserve		-	(5,574)	5,574	-
Dividends declared	**19**	-	-	(48,439)	(48,439)
31 December 2011		**549,956**	**223,696**	**1,476,060**	**2,249,712**

Approved on behalf of the Board on 17 May 2012

Shaporenko V.V.
General Director

Kolesnikova S.V.
Chief Accountant

In thousands of Russian Roubles

1. Principal Activities

Commercial Bank "Levoberezhny" Open Joint-Stock Company was registered as a commercial bank with the Central Bank of the Russian Federation ("CBRF") in 1991.The Bank is a commercial bank owned by shareholders whose liability is limited.

The main activities of the Bank include cash services, loan transactions, dealing with securities, attraction of deposits, and dealing in foreign currencies. The main locations where the Bank actively operates are Novosibirsk city and Novosibirsk region. The headquarters of the Bank is situated at 25/1 Plakhotnogo Street, Novosibirsk, 630054, Russian Federation. The Bank also has one branch situated at 1 Rogachyovastreet, Berdsk, Novosibirskaya Oblast, 633009, and 41 additional offices, 5 credit – cash offices and 6 operational outlets.

As at 31 December 2011, the Bank held the following licenses:

§ License № 1343 dated 27 August 2002 to carry out banking and foreign exchange activities; issued by the CBRF.

§ License № 1343 dated 27 August 2002 to carry out activities on receiving deposits from individuals in Russian Roubles ("RUB") and foreign currency; issued by the CBRF.

§ License as professional participant of the securities' stock exchange №054-02932-100000 dated 27 November 2000 to carry out broker activity; issued by the Federal Commission for the Securities' Stock Exchange.

§ License as professional participant of the securities' stock exchange №054-03039-010000 dated 27 November 2000 to carry out dealing activity; issued by the Federal Commission for the Securities' Stock Exchange.

§ License of professional participant of the securities' stock exchange №054-03158-000100 dated 4 December 2000 to carry out deposit activity; issued by the Federal Commission for the Securities' Stock Exchange.

The General Director of the Bank is Mr. Vladimir ViktorovichShaporenko and the Board of Directors is headed by Mr. Dmitriy BorisovichYarovoy.

The major shareholders of the Bank as at 31 December 2011 and 31 December 2010 were:

Shareholder	31 December 2011 %	31 December 2010 %
Dmitriy BorisovichYarovoy	61.81	61.81
Ratto Holdings Limited	10.00	10.00
Forseti-2003 (LLC)	-	8.55
Alexander DmitrievichYarovoy	7.84	-
Primorsk Social Company (LLC)	5.35	5.35
VyacheslavMikhailovichPertsev	5.00	5.00
Mikhail FyodorovichRobkanov	5.00	5.00
NadezdaPavlovnaIvashchenko	4.12	4.12
Other	0.88	0.17
	100.00	**100.00**

Mr. Dmitriy BorisovichYarovoy is the ultimate controlling party by virtue of his shareholding.

In 2011 the average number of employees of the Bank was 1,107 (2010: 919). As at 31 December 2011 the Bank employed 1,217 members of staff (31 December 2010: 970).

2. Operating Environment of the Bank

In 2011 credit organizations in the Russian Federation made a profit of RUB 848 billion, which is 50% higher than in the previous year. Return on equity in the banking sector is assessed as 17.6%, compared to 12.5% in 2010. Cumulative bank assets grew by 23.1% during 2011 and amounted for RUB 41.6 billion as at 1 January 2012. In 2010 the rate of growth of assets was just 14.9%.

The recovery of credit activity resulted from a favourable economic situation and had the greatest impact on the dynamic of assets. The growth rate of credit activities more than doubled in 2011 compared to 2010 (in 2011 the growth rate equalled to 29.6%, in 2010 – 11.5%). The most rapidly increasing lending activity was to individuals; the loan portfolio to individuals has grown by 35.9% in 2011 (2010: 14.3%), the loan portfolio to corporate companies increased by 26.0% (2010: 12.1%).

As at 31 December 2011 the share of non-performing loans fell to 3.9% of the total portfolio (compared to 4.7% at the beginning of 2011), which improved the quality of assets. The proportion of non-performing loans of non-financial organizations decreased from 5.3% to 4.6%; non-performing loans of individuals – from 6.9% to 5.2%. Combined with a decrease in the recovery rate (allowances created / non-performing loans), this fact led to a decrease in the overall level of allowances created for the total loan portfolio to 6.9% as at 31 December 2011 (31 December 2010: 8.5%).

The growth rate of deposits fell from 31.2% in 2010 to 20.9% in 2011. The saving pattern of population in 2010 has changed to a consumption pattern in 2011. On the contrary, deposits to corporations increased in 2011 in comparison to 2010 (in 2011 the growth rate was 25.8%, in comparison to 16.4% in 2010).

Average capital adequacy in the banking system decreased to 14.7% in 2011 (18.1% in 2010). Much of the decline was caused by the slowdown of the equity growth against significant increase of assets, weighted by the level of risk. Thus, the average capital adequacy is already close to the level before the crisis of 2008, when the capital adequacy ratio was 14-15%.

International rating agencies have changed the outlook for the Russian banking system to stable from negative, reflecting the improving operating environment, the banking system's sizeable capital and loan-loss provisioning buffers, and its improved liquidity profile. System liquidity has improved, with solid inflows of retail customer deposits following deposit outflows that occurred at the height of the crisis. The banks currently hold a sizeable cushion of liquid assets to absorb any renewed market stress.

Although, at the date of signing these financial statements, Management cannot fully determine the impact of the current economic situation on the Bank with any certainty it is clear that significant uncertainties are still present. The financial information reflects Management's assessment of the impact on the operations and the financial position of the Bank. To assess the impact of possible developments in the financial position of the Bank Management uses modelling of negative scenarios. The future business environment may differ from Management's assessment. They are unable to predict all developments that could have an impact on the banking sector and therefore Bank's financial position.

3. Basis of Presentation

a) Basis of Presentation

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") and Standing Interpretations Committee Interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect. The Bank maintains its accounting records in accordance with the Russian Accounting Standards ("RAS").

These financial statements are based on the Bank's RAS records adjusted and reclassified in order to comply with IFRS.

The Bank does not have any subsidiary companies and therefore does not prepare consolidated financial statements.

3. Basis of Presentation (continued)

b) Use of estimates

In these financial statements, the Bank uses a number of different methods of estimation:

- § Cost method (actual cost of purchase). Assets are recorded at the amount of cash paid or their current cost set by mutual agreements between parties. Liabilities are recorded at the amount of assets or rights received in return of an obligation or in some circumstances at the amount of cash that will be necessary to repay the obligations in the normal course of business.
- § Current cost (recovery cost). Assets are recorded at the amount of cash that would need to be paid if these assets were purchased at the present date. Liabilities are recorded at the amount of non-discounted cash that will be required to settle the liability.
- § Realisable value (possible selling/ repurchase price (fair value)). Assets are recorded at the amount of cash that can be received from sale. Liabilities are recorded at settlement value, which is the undiscounted amount of cash required for settling the liabilities.
- § Amortised cost/ (expenses), assets/ (liabilities) are recorded at the current estimate of future net receipt (disposals) of cash in the normal course of business according to market interest rates effective at the moment of transaction.
- § Book value. This is the value of assets and liabilities recorded in the statement of financial position at the reporting date.

It is assumed that the future cash flows and the term of a pool of similar financial instruments can be reliably estimated. However, when cash flows or the term of a financial instrument is impossible to estimate, the Bank uses the contractual estimated cash flows under the term determined by the agreement.

In the opinion of the Bank, the market interest rate is defined as the "best" interest rate (the highest interest rate for financial assets and the lowest one for financial liabilities) between the two following rates:

- § Interest rate on similar financial instruments operating in an active markets
- § Interest rate on similar financial instruments in the portfolio of the Bank at the reporting date or transactions performed during the reporting period.

Under similar financial instruments stand financial instruments which have similar conditions including borrowing capacity of a debtor, remaining maturity period, currency of repayment and so on.

c) Impairment of assets

The Bank creates allowance for possible impairment for all types of financial assets, except for financial assets at fair value through profit or loss.

Financial assets are considered impaired and losses from the impairment occur if objective factors of impairment occurred as a result of one or more events taking place after the initial recognition of assets ("loss event"); and the event can impact the expected future cash flows of the financial assets and its effect can be reliably estimated.

The main factors according to which the Bank considers a financial asset to be impaired or not are the existence of overdue amounts and, eventually, the possibility of realisation of the corresponding collateral. A financial asset is considered overdue if the counterparty did not fulfil its payment obligations at the date stated in the contract.

Among other main factors of determination of objective evidence of impairment are the following:

- § Delinquency in contractual payments of principal or interest not related to technical problems in the payment system

3. Basis of Presentation (continued)

§ A borrower or an issuer has serious financial problems that can be evident from their financial statements received by the Bank

§ Initiation of bankruptcy proceedings

§ Deterioration of the borrower's competitive position

§ Deterioration in the value of the collateral

§ An active market for the particular financial asset has disappeared as a result of financial difficulties of an issuer (not due to the fact that the asset does not operate on the market any more)

§ There is information that an issuer or a borrower has a tendency to violate the conditions of contracts on similar financial assets.

Losses from impairment of financial assets reflected at amortised cost are recognised in the statement of comprehensive income as they occur because of one or more events ("loss event") taking place after the original recognition of an asset.The Bank does not recognise losses from impairment at initial recognition.

Subsequently, the Bank assesses whether objective evidence of impairment exists individually for financial assets which are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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, whether or not foreclosure is probable.

The current methodology for assessing the impairment of financial assets is to combine them into groups of financial assets based on indicators of credit risk. The estimated future cash flows of each group are subject to changes depending on the risk factors that could reduce the capacity of the customers to repay the debts under the contractual terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for the assets with credit risks characteristics similar to those in the group. They can also be determined on the basis of Management's statistics about the volumes of overdue debts that can occur as result of loss events and also about the possibility of recovery of overdue debts. Previous year's statistics are adjusted on the basis of current observable data to reflect the effects of current conditions that did not influence the previous periods as well to eliminate the effect of previous events that do not currently exist.

3. Basis of Presentation (continued)

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 an improvement in the debtor's payment ability), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income as part of the movement in impairment charge for credit losses.

Uncollectible financial assets in respect of which all necessary procedures are finished for the purpose of full or partial recovery and the final amount of loss is defined, are written off against the allowance for impairment created in the statement of financial position.

Losses from impairment of financial assets available for sale are recognised in the statement of comprehensive income as they occur as a result of one or more events ("loss event") taking place after the initial recognition of assets available for sale.

The Bank assesses at least at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets classified as available for sale is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised as profit or loss – is removed from equity and recognised in the statement of comprehensive income.

Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

In respect of debt instruments classified as available for sale, evidence of impairment is estimated in accordance with the same criteria ("loss events") as in respect of financial assets at amortised cost. The amount of loss that is to be transferred to statement of comprehensive income is equal to the difference between initial cost of the asset (less repayments of principal debt and adjusted for amortisation on assets estimated with the use of effective interest rate method) and the current fair value less losses from impairment on the asset, recognised earlier in statement of comprehensive income. Interest income on impaired assets is charged according to amortised expenses taking into account recognition of loss from impairment with the interest rate used for discounting of future cash flows to evaluate losses from impairment. Interest income is reflected within "Interest income" in the statement of comprehensive income. When in the next reporting period the fair value of a debt instrument classified as available for sale increases and such increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

d) Functional and presentation currency

The Bank considers RUB to be its functional currency given the fact that all operations of the Bank are carried out in the Russian Federation and significant part of them and its cash flows are denominated in Russian Roubles. Management of the Bank believes this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank.

3. Basis of Presentation (continued)

The RUB has been selected as the presentation currency for the financial statements of the Bank and amounts have been rounded to the nearest thousand.

e) Adoption of new and revised IFRS and Interpretations

The following new standards and interpretations became effective for the Bank from 1 January 2011:

IFRS 1 ***First-time Adoption of IFRS – Amendment: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*** (issued in January 2010 and effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief for presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 *Financial Instruments: Disclosures.* This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.

IAS 24 ***Related Party Disclosures*** (effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in November 2009 by simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by providing a partial exemption from the disclosure requirements for government-related entities.

IFRIC 14 IAS 19 ***The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendment: Prepayments of a Minimum Funding Requirement*** (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum finding requirement.

IFRIC 19 ***Extinguishing Financial Liabilities with equity Instruments*** (issued in November 2009 and effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies the accounting for the transactions when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to accreditor of the entity to extinguish all or part of the financial liability.

Improvements to IFRS *(issued in May 2010 and effective from 1 January 2011).*The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements;
- IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3;

In thousands of Russian Roubles

3. Basis of Presentation (continued)

- IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period;
- IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity;
- IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008);
- IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments;
- IFRIC 13 was amended to clarify measurement of fair value of award credits.

The above amendments had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

f) Standards, interpretations and amendments that are not yet effective

At the reporting date, the following standards, interpretations and amendments to existing standards were in issue but not mandatory for accounting periods starting before the date indicated.

New standards and effective date

IFRS 9	*Financial Instruments Part 1: Classification and Measurement* and related changes to IAS 39 *Financial Instruments: Recognition and Measurement*	1 January 2015
IFRS 10	*Consolidated Financial Statements*	1 January 2013
IFRS 11	*Joint Arrangements*	1 January 2013
IFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13	*Fair Value Measurement*	1 January 2013

Amendments to existing standards and effective date

IAS 1	*Presentation of Financial Statements*	1 January 2012
IAS 12	*Income Taxes*	1 January 2012
IAS 19	*Defined Benefit Schemes*	1 January 2013
IAS 27	*Consolidated and Separate Financial Statements*	1 January 2013
IAS 28	*Investments in Associates and Joint Ventures*	1 January 2013
IAS32	*Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities*	1 January 2014
IFRS 7	*Financial Instruments: Disclosures – Transfer of Financial Assets*	1 July 2011
IFRS7	*Financial Instruments: Disclosures – Offsetting of Financial Assets and Liabilities*	1 January 2013

Management has considered the issue of interpretations of the standards which are not yet effective and believe that they will not have a significant impact on the financial statements of the Bank. The Bank will adopt these standards when they become effective.

3. Basis of Presentation (continued)

g) Foreign currency translation

Transactions denominated in currencies other than Russian Roubles are recorded at the exchange rate prevailing at the date of transaction. Translation differences occurring as a result of transactions performed in foreign currencies are recorded in the statement of comprehensive income at the exchange rate prevailing on that date.

The official exchange rates of the CBRF as at 31 December 2011 were
RUB 32.1961 for 1 USD (31 December 2010: RUB 30.4769) and
RUB 41.6714 for 1 EUR (31 December 2010: RUB 40.3331).

Translation differences related to debt securities and other monetary financial assets denominated in foreign currencies recorded at fair value are included in the statement of comprehensive income in the line of gains less losses arising from revaluation of assets / liabilities denominated in foreign currencies. Translation differences related to non-monetary items such as equity securities, included in financial assets carried at fair value through profit or loss are recorded as part of gains less losses from revaluation at fair value. Translation differences on non-monetary financial assets available for sale are recorded in equity through revaluation reserve of financial assets available for sale.

4. Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents are items that can be converted into cash in one day. They include cash balances, non-mandatory cash balances with the CBRF, cash in correspondent accounts with banks of high reliability and non-bank credit institutions, as well as deposits in other banks with maturity date not later than the first working day following the reporting date. All other inter-bank deposits are disclosed as due from financial institutions. Amounts, which relate to funds that are of restricted nature, are excluded from cash and cash equivalents.

b) Mandatory cash balances with the CBRF

Mandatory balances with the CBRF represent mandatory reserve deposits, which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of cash flow statement.

c) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if its acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. The Bank classifies financial assets as trading in caseswhere it aims to sell them in less than 180 days from the moment of purchase.

Trading financial assets that operate on the Moscow Interbank Currency Exchange ("MICEX") and the Siberian Interbank Currency Exchange ("SICEX") apart from those mentioned in the paragraph below are measured on the basis of market prices set by MICEX or SICEX.

4. Significant Accounting Policies (continued)

Trading financial assets whose nominal value is denominated in foreign currency, operating on the currency exchanges of European countries (financial assets of the Russian Federation, of entities of the Russian Federation, other Russian issuers, or financial assets issued under the guarantee of the above mentioned entities), are measured on the basis of sale prices, quoted by Reuters or (if these data are unavailable) on the basis of other information agencies or leading market operators that publish their information on sale and purchase rates daily.

Trading financial assets which are recognised as debt instruments and are not mentioned above are measured according to market conditions current on the date of their acquisition and using the interest rates set by the Bank or by leading participants of the market for similar debt instruments and which are published by these participants daily. Subsequently if the credit risk of the debtor remains the same the estimation of the current market interest rate is made based on a benchmark interest rate.

The benchmark interest rate records the yield of debt instruments measured using similar instruments (with similar maturity dates, schedule of cash payments, currency of payments etc.) but with a higher level of borrowing capacity. The current level of the benchmark interest rate on the date of estimation is set based on objective data from independent sources. The interest rate that is used for calculating the fair value of a financial asset is measured by summarising the current benchmark interest rate and the spread between the rate at which this financial asset was purchased and the benchmark interest rate which was effective on the date of the asset's acquisition. Costs of acquisition of financial instruments at fair value through profit or loss are not added to the fair value of the respective financial instruments at their initial recognition.

Changes in fair value are recognised in the statement of comprehensive income in the period when they occurred as net gains or losses from transactions with trading financial assets. Coupon and interest income on trading financial assets are recorded in the statement of comprehensive income as interest income on financial assets. Dividends received are recorded as other operating income.

Sale and purchase of trading financial assets whose delivery is to be performed in terms set by the legislation or by rules of the current market are recorded on the date of transaction, which is considered for the Bank the date of recognition of its obligations on asset's sale or purchase. In all other cases, such transactions are recorded as derivative financial instruments until the moment of settling the accounts.

The Bank's Management, using its professional judgement and based on reliable objective information of specific operations and transactions, decided to refer all debt and equity securities to the category of financial assets and liabilities at the fair value through profit or loss except those investments into equity securities which have no market prices and are not quoted in active markets, loans granted and instruments held to maturity. Assets are allocated into this category on the date of initial recognition and then are remeasured at fair value based on market value. For determining its market value, all financial assets at fair value through profit or loss are measured according to the latest bid price.

At initial recognition a financial asset or liability is classified by the Bank as at fair value through profit or loss if the economical specifications of any embedded derivative are not connected to the economical specifications and risks of the principal agreement.

Financial assets classified into this category cannot be reclassified.

Financial assets at fair value through profit or loss include mortgage loans designated to be sold to other financial institutions under specific existing agreements.

The fair value of these loans is estimated based on the discounted anticipated sale price less the discounted value of the guarantee that would be given plus or minus the present value of any cash flows anticipated to occur between the current time and the anticipated sale date.

4. Significant Accounting Policies (continued)

The gain or loss from the sale of these mortgage loans is equal to the received cash funds less the fair value of the guarantee and the present value of the loans.

d) Sale and purchase agreements and borrowing of debt securities

Securities sold subject to repurchase agreements ("repos") are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. When these securities are sold to third parties the financial result from purchase and resale is recorded in "Net gains from dealing with securities". Liabilities on repurchase of securities are recorded at fair value as trading liabilities.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Securities provided by the Bank as loans to counterparties continue to be treated as securities in the financial statements of the Bank. Securities received as loans are not recorded in the financial statements apart from the case when these securities are sold to third parties. In this case the financial result from purchase and resell of securities is recorded in the statement of comprehensive income as part of net gains from dealing with trading securities. Liabilities on repurchase of these securities are recorded at fair value as trading financial liabilities.

e) Amounts due from financial institutions

In the normal course of business, the Bank maintains current accounts or deposits for various terms in other credit institutions. Amounts granted are recorded from the moment of granting funds to a borrower. Initially items with a fixed maturity term are measured at fair value calculated based on the amount of discounted cash flows using market interest rates for instruments with similar level of credit risk and maturity term. Subsequently these loans are measured at amortised cost less allowance for impairment. Amortised cost is measured based on the yield to maturity calculated using the effective interest rate method.

Those loans that do not have fixed maturities (granted according to their agreements "on demand" or as a credit line) are carried at cost, which is considered a reasonable approximation to their fair value.

The amounts outstanding from credit institutions are carried less the allowance for impairment, calculated in accordance with the internal documents regulating the creation of allowances for possible losses on loans and other similar debts according to IAS 39.

f) Loans and receivables

This category includes non-derivative financial assets with fixed or determinable schedule of payments that are not quoted in an active market apart from those:

- Intended for sale directly or in the near future and which should be recognised as trading measured at initial recognition at fair value through profit or loss;
- That after initial recognition are classified as available for sale;
- For which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

4. Significant Accounting Policies (continued)

Loans are stated at amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

Application of impairment is discussed under Note 3 (b).

g) Promissory notes purchased

The Bank also purchases promissory notes from its customers and on the stock exchange. These promissory notes are included in either of the following categories: loans and receivables, financial assets carried at fair value through profit or loss, investments held to maturity or available-for-sale securities, depending on their substance. Subsequently they are remeasured and accounted for in accordance with the accounting policies of the respective categories.

h) Financial assets held to maturity

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity which the Bank has both the intent and the ability to hold to maturity.

After initial recognition such securities are re-measured to amortised cost as at the date of the financial statements. At each reporting date the Bank also evaluates whether there are any objective signs of impairment of securities carried at amortised cost with the purpose of determining whether an impairment loss calculation is necessary.

Impairment losses are calculated as being equal to the difference between the statement of financial position value and anticipated future cash flows discounted at the effective interest rate that was applicable on initial recognition. Impairment loss is recognised in the statement of comprehensive income for the period.

i) Financial guarantee contracts and other credit related commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under other operating expenses.

In the normal course of business, the Bank enters into other credit related commitments including loan commitments.

4. Significant Accounting Policies (continued)

j) Property, plant and equipment

Land and buildings comprise mainly branches and offices. Property, plant and equipment are recorded at purchase cost adjusted (where appropriate) to the equivalent of the purchase power of the Russian Rouble as at 31 December 2002 (since after this date the Russian economy ceased to be hyperinflationary) or at revalued cost less accumulated depreciation and allowance for impairment. Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down to its recoverable amount and the difference after eliminating any revaluation reserve balances, is charged to the statement of comprehensive income.

The estimated recoverable amount is the higher of the assets' net realisable value and its value in use.

An independent appraiser regularly values the premises of the Bank. The frequency of revaluations depends on changes of the estimated fair value of the revalued items. The balance of revaluation reserve included in equity is transferred directly to retained earnings on the date of assets' disposals or realisation. The amount of realised gain arising from revaluation is the difference between the depreciation calculated based on the revalued cost of the asset and the depreciation calculated based on its historical cost. If an individual item is revalued the entire group of property and equipment to which it relates is also revalued.

At the end of construction, assets are transferred into premises and are recognised at their carrying value at the date of transfer. Construction in progress is not depreciated until introduction into use of respective assets.

Gains and losses arising as a result of disposal or sale of fixed assets are determined by comparing proceeds with carrying amount. Repair and maintenance cost are charged to other operating expenses when the expenditure is incurred.

k) Depreciation

Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following number of years:

Premises	50
Improvement of rented premises	10
Intangible assets	10
Vehicles	6
Office and computer equipment	3 to 6
Other	5 to 20

Land and assets under construction are not depreciated.

Depreciation is charged from the month following the month of introduction into service of a fixed or intangible asset.

Depreciation is charged to the statement of comprehensive income as operating expense.

4. Significant Accounting Policies (continued)

l) Investment property

Investment property comprises freehold properties that are held to earn rentals or for capital appreciation or both. Property that is being constructed or developed for future use as investment property is also classified as investment property. It is not depreciated but is stated at fair value based on valuations by independent registered valuers. Fair value is based on current prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income. Rental income from investment property is recognised on a straight-line basis over the term of the lease.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

m) Subordinated loans

Subordinated loans are carried at amortised cost. Under the terms of the subordinated loans, in the event of liquidation of the Bank, the repayment of these loans is subordinated to all other creditors of the Bank. Subordinated loans are included in the calculation of capital in accordance with Russian Accounting Rules.

n) Borrowed funds

Borrowed funds include amounts due to customers, due to Banks and other borrowed funds. Borrowed funds are initially carried at fair value, which includes the amount of received funds less transaction costs.Subsequently borrowed funds are recorded at amortised cost and the difference between the amount of received funds and the amount of repayments is charged to the statement of comprehensive income during the period of borrowing using the effective interest method. Fair value of borrowed funds with interest rate different from market interest rates is estimated at the date of inception, with reference to future interest payments and principal discounted at market interest rates for similar borrowings. The difference between fair value and nominal cost at the date of inception is recorded in the statement of comprehensive income as gain from attracting borrowed funds at rates less than commercial or as losses from attracting borrowed funds at rates higher than commercial. Subsequently the carrying value of borrowed funds is adjusted for the amortisation of their initial gain or loss and the corresponding expenses are recorded as interest expenses in the statement of comprehensive income using the effective interest rate method.

o) Debt securities issued

The Bank issues promissory notes and deposit certificates to its customers. Debt securities issued by the Bank are recognised initially at sale cost that includes proceeds from selling those securities (fair value of the consideration received) less transaction costs. Subsequently debt securities are carried at amortised cost, and the difference between the consideration received from the sale of those debt securities and their redemption amount is recorded in the statement of comprehensive income along its term, using the effective interest rate method.

When the Bank repurchases its own debt securities issued before their maturity date, the income received is recorded as commission income in the statement of comprehensive income.

p) Share capital

Share capital is recorded at the adjusted value taking into account the purchasing power of the Russian Rouble as at 31 December 2002.

4. Significant Accounting Policies (continued)

q) Dividends

When dividends are declared after the reporting date but before the approval of the financial statements, the information on dividends is disclosed in the notes to the financial statements. Outstanding dividends are recorded in the statements of changes in equity in the period when they were approved by the general shareholders' meeting.

r) Operating leases

An operating lease is defined as one where the lessor reserves risks and gains related to the asset.When the Bank acts as lessee, the amount of payments due to the agreements of operating lease is recorded in the statement of comprehensive income using the method of amortisation on a straight-line basis during the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

s) Taxes

Taxation is recorded in the financial statements in accordance with Russian legislation currently in force. Tax charges in the statement of comprehensive income of the period comprise current profit tax and changes in deferred tax. Current profit tax is calculated on the basis of expected taxable profit for the year, using the tax rates enacted at the statement of financial position date. Taxes, other than profit tax, are recorded in operating expenses in the statement of comprehensive income.

Deferred income tax is provided in full, using the balance sheet liability method, for all temporary differences arising between the value of taxable assets and liabilities and their carrying values according to these financial statements. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities are recognised in full. Deferred tax assets and liabilities are determined at tax rates that are expected to be applied in the period when the assets would be realised or the liabilities settled, based on tax rates that would be effective in that period.

Deferred tax liabilities arising from revaluation of premises are recorded directly to the revaluation reserve in equity. Changes of deferred tax arising as a result of decreasing the amount of revaluation reserve are recorded against retained earnings. Changes of deferred tax occurring due to reasons other than changes of the revaluation reserve are recorded in the statement of comprehensive income.

Deferred tax arising from revaluation of available for sale securities to their fair value by recording it as decrease or increase of equity is also recognised in the equity. When realising such securities the corresponding amounts of deferred tax are recorded in the statement of comprehensive income.

t) Income and expense recognition

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within interest income and interest expense in the statement of comprehensive income 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 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 liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses.

4. Significant Accounting Policies (continued)

This calculation includes all commissions and fees paid or received by the parties according to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for third parties, such as the arrangement for the acquisition of loans, shares or other securities or sell or purchase of businesses- are recognised on completion of the underlying transaction.

Commission and fee income from management of investment portfolio and from other managing and consulting services is recognised based on the applicable service contracts, usually on a time-proportional basis.

Fee income arising from services related to management of assets and investment funds is recognised in accordance with the agreement at the date when the Bank receives the right on receipt of income and the amount of income can be reliably determined. Income from rendering long term services is recognised in each reporting period proportionally to the volume of services rendered.

Accrued interest income and expenses including accrued coupon and discount are included in the carrying value of corresponding assets and liabilities.

Expenses on audit services and payments for the deposit insurance scheme are recognised when incurred on accrual basis.

Supplies are accounted as they acquired and are included in operating expenses.

u) 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.

v) Staff costs

The Bank contributes to the Russian Federation state pension scheme, social insurance and medical insurance funds in respect of its employees. These costs are expensed as incurred and are included in staff costs.

w) Gains arising on mortgage loans sold

The Bank periodically sells portfolios of mortgages that it has written, to third parties, simultaneously providing a guarantee on the credit risk of the mortgages sold for a limited, defined period of time. The gain or loss arising on sale is defined as the fair value of consideration received for the mortgages less the amortised cost of the mortgage portfolio less the fair value of the guarantee it has written on the sold mortgages. The nominal value of the amounts under guarantee is disclosed under credit related commitments and the fair value of the guarantee is treated in accordance with Note 4 (i).

In thousands of Russian Roubles

5. Cash and Cash Equivalents

	31 December 2011	31 December 2010
Cash on hand	1,402,788	1,943,006
Deposits placed with CBRF	-	400,047
Cash balances with CBRF (other than mandatory reserve deposits)	318,071	158,273
Correspondent accounts and overnight deposits with other banks:		
Russian Federation	3,303	10,311
Other countries	48,317	30,656
	51,620	40,967
	1,772,479	**2,542,293**

As at 31 December 2011 no deposits were placed with CBRF.As at 31 December 2010 deposits were placed with CBRF under the following conditions:

	Maturity date	Interest rate	31 December 2010
CBRF	11.01.2011	2.75%	100,015
CBRF	11.01.2011	2.75%	100,015
CBRF	11.01.2011	3.0%	200,017
			400,047

Information about credit quality of NOSTRO accounts (based on Fitch ratings) with banks included in cash and cash equivalents is as follows:

	31 December 2011	31 December 2010
AA- to AA+ rated	25,042	-
A- to A+ rated	18,277	27,785
BBB- to BBB+ rated	5,081	10,625
BB- to BB+ rated	3,000	853
B- to B+ rated	115	1,675
Other (including banks that do not have a credit rating)	105	29
	51,620	**40,967**

Transactions that did not require the use of cash and cash equivalents and were excluded from the statement of cash flows are as follows:

	31 December 2011	31 December 2010
Non-cash operation activities		
Other assets received by the Bank in settlement of overdue loans and advances to customers (Note 30)	128,904	68,447
Investment property received by the Bank in settlement of overdue loans and advances to customers (Note 11)	-	113,872
Repayment of loans and advances to customers by non-monetary assets	(128,904)	(182,319)
	-	**-**

In thousands of Russian Roubles

5. Cash and Cash Equivalents (continued)

Geographical, currency, maturity and interest rate analysis on cash and cash equivalents are disclosed in Note 29.The information on related party balances is disclosed in Note 32.

6. Mandatory Balances with the CBRF

Mandatory balances represent amounts deposited with the CBRF and not available for use in the Bank's day to day operations. Credit institutions are required to maintain a non-interest earning cash deposit with the CBRF, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposits is significantly restricted by legislation.

7. Financial Assets at Fair Value through Profit or Loss

	31 December 2011	31 December 2010
Bonds of other banks	641,294	206,942
Corporate bonds	178,068	243,785
Promissory notes	180,084	1,257,804
Corporate shares	41,671	773
Mortgage portfolio for sale	339,789	67,330
	1,380,906	**1,776,634**

Bonds of other banks comprise interest bearing securities issued by Russian banks and denominated in RUB.Bonds of other banks comprise securities of leading Russian banks.

Corporate bonds comprise interest bearing securities issued by non-bank legal entities and are denominated in RUB and USD.

Promissory notes comprise debt securities of the biggest Russian credit institutions included in the Top-100 according to net assets denominated in RUB and issued at a discount to nominal value.

Corporate shares include shares of Russian banks traded in the Siberian Interbank Currency Exchange ("SICEX") or the Moscow Interbank Currency Exchange ("MICEX").

Mortgage portfolio for sale comprises mortgages of individuals and denominated in RUB. The Bank has the intent and ability to sell them in the foreseeable future.

The following table provides details of the Bank's trading securities as at 31 December 2011:

	Maturity		Coupon rate per annum		Yield to maturity	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Bonds of other banks	04.04.2012	23.07.2015	7.8%	10.8%	6.7%	13.7%
Corporate bonds	02.02.2012	09.10.2018	8.3%	13.0%	8.2%	11.4%
Promissory notes	11.07.2012	14.09.2012	-	-	7.0%	9.0%

In thousands of Russian Roubles

7. Financial Assets at Fair Value through Profit or Loss (continued)

The following table provides details of the Bank's trading securities as at 31 December 2010:

	Maturity		Coupon rate per annum		Yield to maturity	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Bonds of other banks	09.01.2011	23.07.2015	7.0%	10.5%	5.2%	8.6%
Corporate bonds	02.02.2012	05.12.2013	8.5%	13.1%	5.0%	10.9%
Promissory notes	11.02.2011	16.12.2011	-	-	5.2%	13.8%

Information about credit quality of trading securities (based on Fitch ratings) is as follows:

	31 December 2011	31 December 2010
AA- to AA+ rated	66,786	-
BBB- to BBB+ rated	124,181	208,004
BB- to BB+ rated	175,258	245,607
B- to B+ rated	504,627	347,786
CCC+ rated	30,860	-
Other (including entities that do not have a credit rating (Fitch))	479,194	975,237
	1,380,906	**1,776,634**

Following the amendments to IAS 39 and IFRS 7, the Bank in 2008 reclassified certain trading securities into investment securities held-to-maturity as the Bank no longer held these securities for the purpose of selling or repurchasing in the near term. These financial assets were reclassified upon occurrence of "rare circumstances". Financial Committee of the Bank acknowledged the occurrence of "rare circumstances" due to the crisis in the international financial markets. The declines in market prices that occurred in the third quarter of 2008 represented a rare event, as they significantly exceeded historical volatilities observed in financial markets. Therefore the Bank made reclassification effective from 1 July 2008.

The table below shows the financial effect of the reclassification as at 31 December 2011:

Reclassified	Issuer	Carrying value	Fair value	Interest income	Revaluation loss that would have been recognised if not reclassified	Effective interest rate	Cash flow expected to be received
FVPL to HTM	OFZ	84,842	83,178	6,797	(15,920)	7.1%	83,288
FVPL to HTM	Mikhailovsky Broiler (CJSC)	39,965	38,870	5,216	(5,567)	12.6%	39,665

The table below shows the financial effects of the reclassification as at 31 December 2010:

Reclassified	Issuer	Carrying value	Fair value	Interest income	Revaluation gain/ (loss) that would have been recognised if not reclassified	Effective interest rate	Cash flow expected to be received
FVPL to HTM	OFZ	135,935	135,736	8,681	602	7.6%	134,889
FVPL to HTM	Mikhailovsky Broiler (CJSC)	49,967	41,911	6,216	(8,006)	12.0%	55,616

In thousands of Russian Roubles

7. Financial Assets at Fair Value through Profit or Loss (continued)

Geographical analysis, currency and maturity analyses as well as interest rate analysis on financial assets at fair value though profit orloss are disclosed in Note 29.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. The hierarchy is as follows:

§ Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.

§ Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

§ Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The following table provides information on the classification of financial assets at fair value through profit or loss as at 31 December 2011 based on data obtained from the sources of information about their fair values:

	Level 1	Level 2	Level 3	Total
Bonds of other banks	641,294	-	-	641,294
Corporate bonds	178,068	-	-	178,068
Promissory notes	-	180,084	-	180,084
Corporate shares	-	-	41,671	41,671
Mortgage loan portfolio for sale	-	-	339,789	339,789
	819,362	**180,084**	**381,460**	**1,380,906**

Reconciliation of Level 3 items in 2011 is presented below:

	Corporate shares	Mortgage loan portfolio for sale	Total
At 1 January	**773**	**67,330**	**68,103**
Gains recognised in profit or loss for the year	314	5,909	6,223
Purchases and additions	40,584	890,309	930,893
Settlements and disposals	-	(623,759)	(623,759)
At 31 December	**41,671**	**339,789**	**381,460**
Total gains for the year included in profit or loss for assets held at 31 December 2011	**314**	**-**	**314**

In thousands of Russian Roubles

7. Financial Assets at Fair Value through Profit or Loss (continued)

The following table provides information on the classification of financial assets at fair value through profit or loss as at 31 December 2010 based on data obtained from the sources of information about their fair values:

	Level 1	Level 2	Level 3	Total
Bonds of other banks	206,942	-	-	206,942
Corporate bonds	243,785	-	-	243,785
Promissory notes	-	1,257,804	-	1,257,804
Corporate shares	-	-	773	773
Mortgage loan portfolio for sale	-	-	67,330	67,330
	450,727	**1,257,804**	**68,103**	**1,776,634**

Reconciliation of Level 3 items in 2010 is presented below:

	Corporate shares	Mortgage loan portfolio for sale	Total
At 1 January	**1,262**	**2,950**	**4,212**
(Losses)/ gains recognised in profit or loss for the year	(489)	1,138	649
Purchases	-	167,902	167,902
Settlements and disposals	-	(104,660)	(104,660)
At 31 December	**773**	**67,330**	**68,103**
Total losses fortheyear included in profit or loss for assets held at 31 December 2010	**(489)**	**-**	**(489)**

8. Due from Financial Institutions

	31 December 2011	31 December 2010
Term deposits in other banks	1,112,537	90,954
Other funds:		
NKO NRD (CJSC)	134,575	267,086
RNKO Payment Centre (LLC)	64,051	34,709
Uralsib Bank (OJSC)	37,320	-
VTB Bank (DEUTSCHLAND) AG	805	762
KTs RTS (CJSC)	484	484
	1,349,772	**393,995**

In thousands of Russian Roubles

8. Due from Financial Institutions (continued)

As at 31 December 2011 term deposits in other banks were placed in the following financial institutions:

	Original maturity date	Interest rate	31 December 2011
Alfa-Bank (OJSC)	10.01.2012	4.9%	150,000
Bank Petrocommerce (OJSC)	10.01.2012	5.9%	150,000
Bank Saint Petersburg (OJSC)	10.01.2012	5.8%	150,000
Trade Capital Bank (CJSC)	10.01.2012	6.3%	150,000
Gazprombank (OJSC)	10.01.2012	4.5%	150,000
NOMOS-Bank (OJSC)	10.01.2012	4.8%	120,000
RGS Bank (OJSC)	10.01.2012	5.5%	67,000
Promsvyazbank (OJSC)	10.01.2012	4.5%	48,000
Absolut Bank (CJSC)	10.01.2012	5.0%	44,000
Gazbank (CJSC)	10.01.2012	5.0%	42,000
Bank Akcept (OJSC)	10.01.2012	2.8%	22,537
Loko-Bank (CJSC)	10.01.2012	4.5%	19,000
			1,112,537

As at 31 December 2010 term deposits in other banks were placed in the following financial institutions:

	Original maturity date	Interest rate	31 December 2010
Metallinvestbank (OJSC)	11.01.2011	1.0%	30,000
Bank Alcept (OJSC)	18.05.2011	7.0%	60,954
			90,954

Information about credit quality of banks-counterparties (based on Fitch ratings) is as follows:

	31 December 2011	31 December 2010
AAA- to AAA+ rated	300,000	-
AA- to AA+ rated	464,000	-
A- to A+ rated	19,000	-
BBB- to BBB+ rated	109,000	762
BB- to BB+ rated	235,320	-
Other (including banks that do not have a credit rating (Fitch))	222,452	393,233
	1,349,772	**393,995**

Geographical analysis, currency and maturity analyses as well as interest rate analysis on due from financial institutions are disclosed in Note 29.The information on related party balances and transactions is disclosed in Note 32.

In thousands of Russian Roubles

9. Financial Assets Held to Maturity

	31 December 2011	31 December 2010
Federal bonds ("OFZ")	82,894	256,708
Bonds of other banks	105,118	88,536
Corporate bonds	214,585	349,419
	402,597	**694,663**

Federal bonds ("OFZ") are securities issued by the Government of the Russian Federation and denominated in RUB.

Bonds of other banks are interest bearing securities issued by Russian banks and denominated in RUB. Bonds of other banks comprise securities of leading Russian banks included in the Top-20 according to net assets and assessed by the international rating agency Fitch Ratings as BB-.

Corporate bonds are interest bearing securities issued by non-banklegal entities and denominated in RUB and USD.

The following table provides details of the Bank's financial assets held to maturity as at 31 December 2011:

	Maturity		Coupon rate per annum		Yield to maturity	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
OFZ	11.07.2012	17.07.2013	6.0%	8.0%	6.0%	7.8%
Bonds of other banks	21.03.2012	19.07.2012	8.5%	11.8%	7.4%	7.6%
Corporate bonds	20.06.2012	15.07.2015	6.9%	12.0%	6.8%	11.6%

The following table provides details of the Bank's financial assets held to maturity as at 31 December 2010:

	Maturity		Coupon rate per annum		Yield to maturity	
	Minimum	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**
OFZ	19.01.2011	17.07.2013	2.0%	11.0%	4.7%	8.0%
Bonds of other banks	16.02.2011	07.07.2011	4.0%	5.0%	6.6%	10.0%
Corporate bonds	04.03.2011	15.07.2015	4.0%	16.0%	6.1%	12.6%

Information about credit quality of investment securities held to maturity (based on Fitch ratings) is as follows:

	31 December 2011	31 December 2010
BBB- to BBB+ rated	125,957	352,100
BB- to BB+ rated	185,290	66,406
B- to B+ rated	51,645	-
Other (including entities that do not have a credit rating)	39,705	276,157
	402,597	**694,663**

In thousands of Russian Roubles

9. Financial Assets Held to Maturity (continued)

Geographical analysis, currency and maturity analyses as well as interest rate analysison financial assets held to maturityare disclosed in Note 29.

10. Loans and Advances to Customers

	31 December 2011	31 December 2010
Current loans	13,434,966	7,417,050
Overdue loans	615,937	733,478
Promissory notes	-	2,000
	14,050,903	8,152,528
Less: Allowance for impairment of loan portfolio	(1,071,886)	(1,125,393)
	12,979,017	**7,027,135**

Overdue loans represent the portion of principal and interest accrued in arrears at the statement of financial position date.

The table below shows the movement in allowance for impairment of the loan portfolio:

	2011	2010
Balance as at 1 January	(1,125,393)	(1,150,496)
Charge for allowance for impairment of loan portfolio	(200,523)	(184,937)
Loans and advances to customers written off during the year as unrecoverable	254,030	210,040
Balance as at 31 December	**(1,071,886)**	**(1,125,393)**

In the year 2011 the following debts have been written off against the existing allowance: consumer loans in the amount of 158,096 and loans of 7 corporate entities in the amount of 95,934.

In the year 2010 the following debts have been written off against the existing allowance: consumer loans in the amount of 124,855 and loans of 7 corporate entities in the amount of 85,185.Geographical analysis, currency and maturity analyses, as well as interest rate analysis on loans and advances to customers are disclosed in Note 29.Information on loans to related parties is disclosed in Note 32.

11. Investment Property

	2011	2010
At 1 January	**113,872**	**-**
Additions	-	113,872
Transfer from premises and equipment (Note 12)	21,936	-
Disposals	(113,872)	-
At 31 December	**21,936**	**113,872**

In thousands of Russian Roubles

11. Investment Property (continued)

The comparative sales method was used to assess the fair value of investment property. In this context the Bank analysed price and other information with regards to similar properties. The sources of information included internet publications containing advertisements on the sale of similar properties, and web-sites of real estate agencies.

At 31 December 2010 investment property comprised asset under construction repossessed by the Bank in respect of making recoveries on its lending operations. The Bank held this asset for the purpose of capital appreciation and sold it after completion of construction in 2011.

The Bank did not incur direct operating expenses for investment properties in 2011 (2010: none).

12. Propertyand Equipment

	Land and premises	Leasehold improve-ments	Office andcomputerequipment	Vehicles	Assets underconstru-ction	Other	Total
Cost or valuation							
31 December 2009	**498,749**	**39,810**	**142,076**	**10,337**	**201,000**	**48,370**	**940,342**
Additions	7,665	1,868	27,759	1,138	82,716	635	121,781
Disposals	-	(4,081)	(4,357)	-	(25,667)	(250)	(34,355)
Revaluation	98,800	-	-	-	-	-	98,800
31 December 2010	**605,214**	**37,597**	**165,478**	**11,475**	**258,049**	**48,755**	**1,126,568**
Additions	21,925	919	33,369	1,148	110,848	7,318	175,527
Transfer to investment property (Note 11)	(22,882)	-	-	-	-	-	(22,882)
Disposals	(620)	(3,023)	(5,093)	(2,064)	(67,288)	(904)	(78,992)
31 December 2011	**603,637**	**35,493**	**193,754**	**10,559**	**301,609**	**55,169**	**1,200,221**
Accumulated depreciation							
31 December 2009	**(123,235)**	**(18,202)**	**(84,463)**	**(6,495)**	**-**	**(22,533)**	**(254,928)**
Charge	(10,025)	(3,842)	(19,101)	(1,237)	-	(3,036)	(37,241)
Disposals	-	1,485	3,505	-	-	236	5,226
Revaluation	(27,959)	-	-	-	-	-	(27,959)
31 December 2010	**(161,219)**	**(20,559)**	**(100,059)**	**(7,732)**	**-**	**(25,333)**	**(314,902)**
Charge	(12,167)	(3,708)	(21,245)	(1,207)	-	(3,095)	(41,422)
Transferred to investment property (Note 11)	946	-	-	-	-	-	946
Disposals	3	2,116	3,677	2,064	-	550	8,410
31 December 2011	**(172,437)**	**(22,151)**	**(117,627)**	**(6,875)**	**-**	**(27,878)**	**(346,968)**
Net book values							
31 December 2011	**431,200**	**13,342**	**76,127**	**3,684**	**301,609**	**27,291**	**853,253**
31 December 2010	**443,995**	**17,038**	**65,419**	**3,743**	**258,049**	**23,422**	**811,666**

Leasehold improvements include capital repairs of premises rented by the Bank under operating lease agreements.

In thousands of Russian Roubles

12. Property and Equipment (continued)

As at 31 December 2011 and 31 December 2010 the cost of fully depreciated property, plant and equipment that was still in use by the Bank was not material.

The Bank has insurance in place for its offices and premises for up to 322,900, rented premises for 2,100 and equipment for 53,900. As at 31 December 2010 the fixed assets of the Bank were insured for 328,300 in total.

As at 31 December 2010 premises of the Bank were revalued by Management of the Bank based on the results of independent appraisal performed by an independent firm of appraisers, SibirskoyeAgenstvoOtsenki ASPEKT (CJSC), Novosibirsk. The appraisal resulted in a net revaluation increase of 70,841.

The carrying value of premises included in category 'land and premises' is 430,067 (31 December 2010: 442,862). If the premises were stated at the historical cost, the NBV would be 151,368 at 31 December 2011 (31 December 2010: 155,670).

If premises were stated on the historical cost basis, the amounts would be as follows:

	31 December 2011	31 December 2010
Cost	189,274	190,623
Accumulated depreciation	(37,906)	(34,953)
Net book value	**151,368**	**155,670**

13. Other Assets

	31 December 2011	31 December 2010
Settlements in transit	6,875	6,762
Debtors and prepayments	12,822	11,437
Tax prepayments	507	417
Repossessed collaterals	72,607	76,441
Claims on other transactions	7,328	6,576
Less: Allowance for impairment of other assets	(156)	(384)
	99,983	**101,249**

Asat 31 December 2011 and 31 December 2010 included in repossessed collaterals are assets and property that have been repossessed by the Bank in respect of making recoveries for its lending operations. As at the reporting date Management of the Bank have not decided how to use the assets, therefore suchpropertywasclassified within other assets.

The table below shows the movement of allowance for impairment of other assets:

	2011	2010
At 1 January	**(384)**	**(69)**
Movement on allowance for impairment of other assets during the year	(134)	(987)
Other assets written off during the year as unrecoverable	362	672
At 31 December	**(156)**	**(384)**

In thousands of Russian Roubles

13. Other Assets (continued)

In the year 2011 state duties of 362(2010: 672) have been written off against the existing allowance.

Geographical analysis, currency and maturity analyses on other assets are disclosed in Note 29.

14. Due to Financial Institutions

	31 December 2011	31 December 2010
LORO accounts		
Novosibirsk Municipal Bank (OJSC)	1,226	2,414
SibsotsBank (LLC)	4,658	18,180
RNKO Payment Centre (LLC)	104,954	270,651
DeltaCredit Bank (CJSC)	10	89
Term deposits of other banks		
Russian Bank for Development (OJSC)	138,930	-
	249,778	**291,334**

As at 31 December 2011 term deposits of other banks were attracted under the following conditions:

	Maturity date	Interest rate	31 December 2011
SME Bank (OJSC)	18.02.2014	8.0%	80,930
SME Bank (OJSC)	17.06.2016	7.8%	58,000
			138,930

Geographical, currency, maturity and interest rate analysis on due to financial institutions are disclosed in Note 29.

In thousands of Russian Roubles

15. Customer Accounts

	31 December 2011	31 December 2010
Individuals		
Current and on demand accounts	2,282,233	1,618,088
Term deposits	9,314,626	6,044,958
	11,596,859	7,663,046
State organisations		
Current and settlement accounts	403,524	1,100,926
Term deposits	208,000	54,000
	611,524	1,154,926
Legal entities		
Current and settlement accounts	2,677,584	1,897,107
Term deposits	1,150,837	551,342
	3,828,421	2,448,449
Other customer accounts	2,850	9,583
	16,039,654	**11,276,004**

Other customer accounts include the following:

	31 December 2011	31 December 2010
Settlements in transit	2,687	9,360
Customer accounts on other financial assets	163	223
	2,850	**9,583**

The table below shows the analysis per economic sector of customer accounts:

	31 December 2011		31 December 2010	
	Amount	**%**	**Amount**	**%**
Individuals	11,596,860	72.3	7,663,046	68.1
Trade	1,209,176	7.5	864,957	7.7
Transaction with property, rent and services	957,928	6.0	420,593	3.7
Manufacture	597,611	3.7	239,239	2.1
Construction	531,047	3.3	242,290	2.2
Financial sector	411,904	2.6	105,308	0.9
Social services	204,753	1.3	241,800	2.1
Transport and telecommunication	175,811	1.1	956,308	8.5
Heating and power production	125,051	0.8	59,867	0.5
Agriculture	122,378	0.8	86,775	0.8
Hotels and restaurants	63,071	0.4	17,161	0.2
State organisation	33,126	0.2	365,575	3.2
Mining	3,797	0.0	1,807	0.0
Other	7,141	0.0	11,278	0.0
	16,039,654	**100.0**	**11,276,004**	**100.0**

Deposits and current accounts of the Bank's ten largest customers accounted for 1,427,045 or 8.9% of the overall balance as at 31 December 2011 (31 December 2010: 1,586,584 or 14.1%).

In thousands of Russian Roubles

15. Customer Accounts (continued)

Geographical, currency, maturity and interest rate analysis on customer accounts are disclosed in Note 29.Information on customer accounts of related parties is disclosed in Note 32.

16. Debt Securities Issued

As at 31 December 2011 the Bank issued promissory notes with terms from 'on demand' to 6 months after the reporting date. Discount rates are to 8.5% per annum (31 December 2010: terms – from 2 weeks to 6 months, discount rates – to 8% per annum).

Geographical, currency and maturity analyses as well as interest rate analysis on debt securities issued are disclosed in Note 29.

17. Subordinated Debt

	31 December 2011	31 December 2010
Subordinated loans from Primorsk Social Company	255,000	-
	255,000	**-**

As at 31 December 2011 subordinated debt represent long-term loans received under the following conditions:

	Maturity date	Interest rate	31 December 2011
Primorsk Social Company (LLC)	10.08.2021	9.5%	160,000
Primorsk Social Company (LLC)	15.09.2021	11.0%	95,000
			255,000

On 27 May 2010 the Bank repaid a subordinated loan from SCBP Primsotsbank (OJSC) of 35,000 before the due date.

The subordinated debt ranks after all other creditors in case of the Bank's liquidation.

Geographical, currency and maturity analyses as well as interest rate analysis on subordinated loans are disclosed in Note 29.Information on transactions with related parties is disclosed in Note 32.

In thousands of Russian Roubles

18. Other Liabilities

	31 December 2011	31 December 2010
Salaries payable	23,520	19,044
Taxes payable	22,502	17,270
Accounts payable	16,957	11,625
Transit accounts	4,018	2,797
Fair value of derivative financial instruments	2,260	308
Other liabilities	5,015	11,348
	74,272	**62,392**

Geographical, currency and maturity analysis on other liabilities are disclosed in Note 29.

19. Share Capital

The share capital of the Bank has been contributed by shareholders in Russian Roubles. Shareholders are entitled to dividends and any capital distribution in Russian Roubles. As at 31 December 2011 and 31 December 2010, share capital of the Bank consisted of 350,250 authorized, issued and fully paid ordinary shares with a fixed nominal value of 1 each.

Ordinary shares carry the right to vote at annual general and extraordinary meetings, right to receive dividends and a residual interest in the assets of the Bank after deducting all its liabilities on liquidation. All ordinary shares provide equal rights to their owners.

Dividends payable to the Bank's shareholders are restricted to the maximum retained earnings of the Bank, which are determined in accordance with legislation in the Russian Federation. As at 31 December 2011the Bank's reserves available for distribution amounted to 1,597,136 (31 December 2010: 1,202,346). In 2011 the Bank declared and paid dividends for 2010 in the amount of 48,439(138.30 RUB (not thousands) per each ordinary share) (2010: 29,042 (82.92 RUB (not thousands) per each ordinary share).

The share capital of the Bank, as at 31 December 2011 and 31 December 2010, comprised the following:

	Nominal value	Inflation adjustment	Total share capital
Ordinary shares	350,250	199,706	549,956
	350,250	**199,706**	**549,956**

In thousands of Russian Roubles

20. Net Interest Income

	2011	2010
Interest income		
Interest income on assets carried at amortised cost		
Loans to customers	2,013,084	1,472,851
Due from financial institutions	11,258	18,141
Financial assets held to maturity	56,217	37,610
	2,080,559	1,528,602
Interest income on assets carried at fair value through profit or loss	134,594	178,368
	2,215,153	**1,706,970**
Interest expense		
Interest expense on liabilities carried at amortised cost		
Customers' deposits	(680,630)	(626,350)
Due to financial institutions	(19,279)	(2,496)
Debt securities issued	(1,517)	(1,565)
Subordinated loan	(9,018)	(1,321)
	(710,444)	**(631,732)**
Net interest income	**1,504,709**	**1,075,238**

21. Net Gains/ (Losses) from Dealing with Securities

	2011			2010		
	Fair value adjustments	Losses realised on disposal	Total	Fair value adjustments	Gains/ (losses) realised on disposal	Total
Financial assets at fair value through profit or loss	(18,403)	(5,824)	(24,227)	(10,082)	32,779	22,697
Other	-	(4,644)	(4,644)	-	(2,622)	(2,622)
	(18,403)	**(10,468)**	**(28,871)**	**(10,082)**	**30,157**	**20,075**

22. Net Gains from Operations with Foreign Currencies

	2011	2010
Currency exchange	67,998	49,984
Currency forwards	26,687	9,377
	94,685	**59,361**

In thousands of Russian Roubles

23. Net Commission Income

	2011	2010
Commission income		
Cash transactions	345,318	204,025
Transactions with plastic cards	72,090	59,135
Settlement transactions	59,158	49,810
Guarantees issued	4,786	1,888
Dealing with currency	3,139	2,260
Dealing with securities	2,309	651
Anticipated redemption of promissory notes	136	294
Other transactions	18,339	9,572
	505,275	**327,635**
Commission expenses		
Transactions on plastic cards	(30,223)	(26,865)
Services of cash settlement center in CBRF	(18,061)	(11,343)
Settlement transactions	(14,713)	(5,143)
Dealing with currency	(9,712)	(5,601)
Cash transactions	(8,892)	(5,102)
Dealing with securities	(1,569)	(818)
Other commissions	(5,398)	(5,727)
	(88,568)	**(60,599)**
Net commission income	**416,707**	**267,036**

Other commission expenses are represented by commission expenses for transfer foreign currencies for individuals and legal entities.

24. Other Operating Income

	2011	2010
Fines, penalties and other charges	10,451	10,860
Income from sale of fixed assets and claim rights	5,660	4,747
Other	8,601	6,379
	24,712	**21,986**

The line 'other' includes mainly income arising from adjustments of rates in deposits in case of early termination of contracts in system Zolotaya Corona.

25. Staff Costs

	2011	2010
Salaries and bonuses	(531,663)	(328,690)
Statutory contributions to non-budget funds	(118,233)	(69,404)
Education	(310)	(775)
Other staff payments	(1,256)	(348)
	(651,462)	**(399,217)**

In thousands of Russian Roubles

26. Operating Expenses

	2011	2010
Other expenses related to fixed assets	(69,378)	(41,905)
Operating leases	(67,142)	(46,425)
Losses from disposals of assets	(59,619)	(990)
Taxes other than on income	(55,430)	(44,349)
Depreciation of fixed assets (Note 12)	(41,422)	(37,241)
Reimbursement of commissions to borrowers	(37,082)	(2,944)
Insurance	(35,504)	(25,952)
Office expenses	(34,212)	(27,764)
Security	(30,605)	(25,559)
Advertising and marketing	(29,733)	(21,959)
Materials written off	(24,837)	(9,031)
Professional services	(15,808)	(21,844)
Issuing plastic cards	(15,616)	(18,351)
Charity	(9,560)	(6,982)
Social events	(8,172)	(1,358)
Business travel	(7,380)	(5,125)
Representation	(516)	(325)
Other	(26,423)	(19,670)
	(568,439)	**(357,774)**

Taxes other than income tax include the following:

	2011	2010
Irrecoverable VAT	(39,691)	(30,678)
Property tax	(13,845)	(11,867)
Other taxes	(1,894)	(1,804)
	(55,430)	**(44,349)**

27. Income Tax

Income tax expense comprises the following components:

	2011	2010
Current income tax	(117,532)	(63,718)
Deferred taxation movement due to the origination and reversal of temporary differences	18,552	(17,162)
	(98,980)	**(80,880)**

The income tax for banks except for the income arising from dealing with state securities was charged at the rate of 20% (2010: 20%). The income tax rate on income arising from transactions with state securities is 15% (2010: 15%).

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

In thousands of Russian Roubles

27. Income Tax (continued)

The effective income tax rate differs from the rates determined by the Russian tax legislation. The effective income tax may be reconciled to the income tax calculated based on the rate determined by the legislation as follows:

	2011	2010
Profit according to IFRS before tax	**592,228**	**475,218**
Applicable statutory rate of income tax	20%	20%
Theoretical income tax expense at the applicable statutory rate	118,446	95,044
Income and expenses not recognised for tax purposes:		
Income on state securities taxed at other rates	(1,751)	(2,649)
Deductible income	(30,074)	(12,745)
Not allowable expenses	12,359	1,230
	(98,980)	**(80,880)**

The Bank's accounting profit may be reconciled to profit for taxable purposes as follows:

	2011	2010
IFRS profit before tax	**592,228**	**475,218**
Adjustments to comply with IFRS including:		
Transfer value	18,359	21,712
Allowance for impairment of financial assets	(35,718)	(75,640)
Depreciation	6,040	4,399
Revaluation of financial assets	27,958	(7,942)
Accrued interest income/ expense	(48,336)	(173,916)
Accrued other income/ expense	230	(13,874)
Other	55,279	39,048
	23,812	(206,213)
Accounting profit under RAS	**616,040**	**269,005**
Adjustments for disallowable items	(28,380)	49,585
Taxable profit	587,660	318,590
Tax liability at 20% (2010: 20%)	**(117,532)**	**(63,718)**

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

In thousands of Russian Roubles

27. Income Tax (continued)

Major components making up the deferred tax liability at 31 December 2011 were:

	1 January 2011	Movement charged/ (credited) to comprehensive income	Recorded directly to equity	31 December 2011
Temporary differences decreasing the tax base				
Allowance for impairment	24,996	(91,817)	-	(66,821)
Accrued income and expenses	(55,979)	22,467	-	(33,512)
Other	(3,852)	(19,510)	-	(23,362)
Total deferred tax liability	**(34,835)**	**(88,860)**	**-**	**(123,695)**
Temporary differences increasing the tax base				
Revaluation of financial assets at fair value through profit or loss	(1,591)	2,394	-	803
Property, plant and equipment	(70,450)	86,792	-	16,342
Other	5,622	18,226	-	23,848
Total deferred tax liability	**(66,419)**	**107,412**	**-**	**40,993**
Total net deferred tax liability	**(101,254)**	**18,552**	**-**	**(82,702)**

Major components making up the deferred tax liability at 31 December 2010 were:

	1 January 2010	Movement charged/ (credited) to comprehensive income	Recorded directly to equity	31 December 2010
Temporary differences decreasing the tax base				
Allowance for impairment	24,198	798	-	24,996
Accrued income and expenses	(34,687)	(21,292)	-	(55,979)
Other	(1,255)	(2,597)	-	(3,852)
Total deferred tax liability	**(11,744)**	**(23,091)**	**-**	**(34,835)**
Temporary differences increasing the tax base				
Revaluation of financial assets at fair value through profit or loss	(5,059)	3,468	-	(1,591)
Property, plant and equipment	(57,541)	1,259	(14,168)	(70,450)
Other	4,420	1,202	-	5,622
Total deferred tax liability	**(58,180)**	**5,929**	**(14,168)**	**(66,419)**
Total net deferred tax liability	**(69,924)**	**(17,162)**	**(14,168)**	**(101,254)**

In thousands of Russian Roubles

27. Income Tax (continued)

Major components making up the deferred tax liability at the end of 31 December 2011 were:

	Temporary differences	Tax Rate (%)	Deferred tax asset/(liability)
Securities, except government bonds	(10,330)	20	(2,066)
Government bonds	5,354	15	803
Allowance for loan losses	(334,107)	20	(66,821)
Accrued expenses	(167,559)	20	(33,512)
Property and equipment	310,978	20	62,195
Other current assets/ liabilities	12,764	20	2,553
	(182,900)		(36,848)
Revaluation of fixed assets	(229,270)	20	(45,854)
	(412,170)		**(82,702)**

Major components making up the deferred tax liability at the end of 31 December 2010 were:

	Temporary differences	Tax Rate (%)	Deferred tax asset/(liability)
Securities, except government bonds	(3,940)	20	(788)
Government bonds	(5,354)	15	(803)
Allowance for loan losses	124,980	20	24,996
Accrued expenses	(279,895)	20	(55,979)
Property and equipment	(122,980)	20	(24,596)
Other current assets/ liabilities	8,850	20	1,770
	(278,339)		(55,400)
Revaluation of fixed assets	(229,270)	20	(45,854)
	(507,609)		**(101,254)**

28. Segment Reporting

The Bank's operations are organised in accordance with two basic business-segments:

- Services to individuals – this business segment includes bank services to individual customers – opening and holding bank (settlement) accounts, acceptance of deposits, safekeeping services, management of investments, debit and credit card services, services on consumer and mortgage loans.
- Services to organisations – this business segment includes services on running settlement and current accounts of organisations, acceptance of deposits, granting of credit lines, granting of loans and operations in foreign currency and derivative financial instruments.

The Bank has not made the relevant disclosures required under IFRS 8 '*Operating Segments*' as it does not have securities listed on a recognised stock exchange.

29. Financial Risk Management

The activities carried out by the Bank expose it to a variety of financial risks and performing those activities include analysing, evaluating, accepting and managing some degree of risk or combination of risks. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Bank's aim is therefore to achieve an adequate balance between risk and return and minimise potential adverse effects on the Bank's financial performance, through a set of risk management policies.

These policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets and products, to adhere to changes in the normative issued by the CBRF and ultimately to follow emerging best practice.

The Board of Directors approves the credit policy and the policy of risk management, sets basic characteristics of loan portfolio of the Bank and limits the risks upon the factors, among which are:

- Loan portfolio diversification by industries
- Loan terms depending on the quality of collateral
- Limitations on granting loans to related parties
- Quality criteria of collateral
- Borrowers' risk assessment principles

In addition to this, the credit policy determines the functions of separate bodies of the Bank, including:

- Management of the Bank (issue of regulatory documents related to risk management procedures including credit, currency and interest risks, and financial instruments' risks on the development of the Bank's business);
- Finance committee (determination of limits on all Bank's activities) and;
- Credit committee/Small credit committee/Retail credit committee (decisions on issues such as granting, prolonging or changing conditions of loan agreements, portfolio structure). The credit committees are responsible for the overall quality of the loan portfolio.

To minimise the risks, the Bank's departments in charge of loans operate within the scope of their competence, and each department is included into the system of risk management and control, among them are:

- Business department (collecting updated information of the client during the effective period of the contracts, monitoring of the clients' financial position, control of clients' repayment record, performing of scheduled and non-scheduled visits to clients);
- Credit officers perform evaluations of proposed collaterals, their conditions, fair value assessments along with analysis of terms of contracts and decisions upon changes of collateral;
- Department of Bank's risk evaluation (business risk evaluation, monitoring of risk categories of loans, advances and other financial instruments, calculation of allowance considering the provided collateral, the department is also in charge of suggestions on improvement of the evaluation risk methods and evaluation of operational and legal risk of the Bank);
- Economic security department and legal management (legal assessment of documents provided by borrowers, evaluation of borrowers' business reputation, debt collection in case of default on obligations, participation in realisation of pledged collateral);
- Internal control department (subsequent inspection of lending procedures for their compliance with internal and external requirements).

29. Financial Risk Management (continued)

Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business and therefore management carefully monitors it. Credit exposures arise mainly in lending activities that lead to loans and advances, and investing activities that bring debt securities and other bills into the Bank's assets portfolio.

There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in the Risk Management Department and reported to the Credit Committee regularly.

Credit risk measurement

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflects three components

(a) the "probability of default" by the client or counterparty on its contractual obligations;

(b) current exposures to the counterparty and its likely future development, from which the Bank derive the "exposure at default"; and

(c) the likely recovery ratio on the defaulted obligations (the "loss given default").

These credit risk measurements, which reflect expected losses (the "expected loss model") and are required by the CBRF, are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the statement of financial position date (the "incurred loss model") rather than expected losses.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally, based on the regulations issued by the CBRF and combine statistical analysis with management judgment and are validated, where appropriate, by comparison with external available data. For this purpose the loan portfolio of the Bank is classified into five risk categories:

§ I (the highest quality - standard loans) – with absence of credit risk (possibility of losses as result of default or improper fulfilment of liabilities on loans is nil);

§ II (non-standard loans) - medium credit risk (possibility of losses as result of default determines their impairment on a variable rate between 1 to 20%)

§ III (doubtful loans) – significant credit risk (possibility of losses as result of default determines their impairment on a variable rate between 21 to 50%)

§ IV (problematic loans) - high credit risk (possibility of losses as result of default determines their impairment on a variable rate between 51 to 100%)

§ V the lowest quality (bad loans) – absence of repayment possibility of a loan due to the inability or unwillingness of a borrower to fulfil his credit obligations, determines the full impairment of a loan (100%)

In order to achieve a more representative classification of borrowers, each category (apart from the lowest one) includes subcategories that characterise more specifically the capability of a borrower to repay a loan.

The analysis of debt securities and other liabilities does not differ from the analyses of the Bank's borrowers and is performed with the use of similar models, although, keeping into account that not all the financial information is consistent or readily available from all issuers.

29. Financial Risk Management (continued)

In relation to this, the department of Bank's risk evaluation uses additional methods to assess the issuers' financial position based on fundamental and technical analysis of the securities' market. The department also uses data about the liquidity and information about market prices for debt securities on the Russian stock exchange and on over-the-counter market. The department also takes into consideration the assessments of rating agencies such as: Standard & Poor's, Moody's or Fitch Ratings. Investments in these securities are considered as a means to improve the credit quality profile of the Bank's assets and, at the same time, a tool for liquidity management.

Risk limit control and mitigation policies

The Bank manages, sets limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, economic groups and industries, through its loan granting policies and regulations. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored through regular review (quarterly and annual inspections as well as inspection arising from impairment evidence). Risk limits are updated once a quarter, and for risk factors changing more frequently (e.g. market risks, debts of credit institutions) – once a month. The finance committee approves the limits.

The Bank has a differential approach for the assessment of different groups of borrowers (taking into consideration the activity or industry they belong to and the specifics of the preparation of their financial statements). In particular, the Bank has specific exposure evaluation models used for:

- industrial and agricultural entities
- trade organisations
- construction companies
- state organisations
- small business
- individuals

The exposure to any borrower or economic group, including banks, is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing lending limits where appropriate.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for loans, which is a common practice. The Bank has set guidelines on the acceptability of specific types of collateral for credit risk mitigation. The main collateral types for loans and advances include mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable, and charges over financial instruments such as debt securities and equity instruments.

Long term finance and lending to corporate entities are generally secured; consumer individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, promissory notes and similar instruments are generally unsecured.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions-, are collateralised by the underlying shipments of goods to which they relate, or by additional collaterals and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of 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, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

The internal rating described before in this note, used for regulatory purposes as per the instructions of the CBRF focuses more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes under IFRS only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in these financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and statutory and tax regulation purposes.

The impairment allowance shown in the statement of financial position under IFRS at year-end is derived from each of the five statutory risk categories. The majority of the impairment allowance comes from the last grading, in direct correlation to the impaired loans, and from the first category corresponding to loans assessed on a pool basis. The table below shows the percentage of the Bank's on-and off-balance sheet items relating to loans and advances and the associated impairment allowance for each of the Bank's internal rating categories.

The Bank's rating, determined based on regulations issued by the CBRF, was as follows:

Risk category	Loans and advances at 31 December 2011	Impairment allowance at 31 December 2011	Loans and advances at 31 December 2010	Impairment allowance at 31 December 2010
I	40.6%	-	44.7%	-
II	51.1%	9.8%	40.1%	4.2%
III	1.3%	3.7%	1.0%	1.2%
IV	0.4%	2.5%	0.6%	1.2%
V	6.6%	84.0%	13.6%	93.4%
	100.0%	**100.0%**	**100.0%**	**100.0%**

29. Financial Risk Management (continued)

The internal rating tool assists management to determine whether objective evidence of impairment exists as defined under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral, and
- Downgrading below II category

The Bank's policy requires the review of individual financial assets that are above the materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed items are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts. The assessment usually encompasses collateral held (including review of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for:

- Portfolios of homogenous assets that are individually below materiality thresholds; and
- Losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

The Bank's maximum exposure to credit risk is generally recorded in the carrying amounts of financial assets in the statement of financial position. The impact of possible netting-off of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and liabilities on granting loans maximum exposure to credit risk is equal to the sum of liabilities. Providing monitoring of credit risk the specialists of Risk Management Department present regular reports based on structured analysis of business and financial results of clients. All information on significant risks in respect of client's credit capacity comes to the Credit committee of the Bank. The Credit committee performs maturity analysis, monitoring and control of overdue loans.

The Bank uses the same credit policies in respect of contingent liabilities as it does in respect to statement of financial position financial instruments. These policies are based on minimising risks procedures of approval of deals, using limits and monitoring.

In accordance with the results of stress testing which is performed twice a year to estimate the Bank's strength against changes in the structure of the loan portfolio, the Bank develops emergency plans and takes measures limiting the most risky scenarios and lending schemes.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Loans and advances to customers include the following portfolios:

	31 December 2011	31 December 2010
Loans and advances to customers		
Individuals (retail customers)		
Consumer loans	5,348,232	2,809,067
Overdrafts	376,518,	160,712
Auto loans	24,684	13,277
Mortgages	1,035,626	484,447
Corporate entities		
Large corporate customers	3,205,380	2,155,244
SMEs	3,683,133	2,023,773
Federal, state and public	377,330	506,008
Gross loans and advances	**14,050,903**	**8,152,528**
Less: Allowance for impairment	(1,071,886)	(1,125,393)
Loans and advances, net	**12,979,017**	**7,027,135**

The loan portfolio of the Bank is summarised as follows:

	31 December 2011		31 December 2010	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	12,812,303,	1,349,772	6,803,579	393,995
Past due but not impaired	107,504	-	102,089	-
Individually impaired	1,131,096	-	1,246,860	-
	14,050,903	**1,349,772**	**8,152,528**	**393,995**
Less: Allowance for impairment	(1,071,886)	-	(1,125,393)	-
	12,979,017	**1,349,772**	**7,027,135**	**393,995**

Loans and advances neither past due nor impaired

As at 31 December 2011, loans and advances neither past due nor impaired to individuals comprised:

Risk category	Overdrafts	Consumer loans	Autoloans	Mortgages	Total
I	-	227,034	-	25,145	252,179
II	367,690	4,404,653	19,917	951,591	5,743,851
Total	**367,690**	**4,631,687**	**19,917**	**976,736**	**5,996,030**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

As at 31 December 2011, loans and advances neither past due nor impaired to corporate entities were:

Risk category	Large corporate customers	SMEs	Federal, state and public	Total
I	3,043,786	2,045,705	364,939	5,454,430
II	-	1,359,101	2,742	1,361,843
Total	**3,043,786**	**3,404,806**	**367,681**	**6,816,273**

Summarizing, the credit quality of the loan portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the statutory rating system as follows:

Risk category	Individuals	Legal entities	Total
I	252,179	5,454,430	5,706,609
II	5,743,851	1,361,843	7,105,694
Total	**5,996,030**	**6,816,273**	**12,812,303**

As at 31 December 2010 loans and advances neither past due nor impaired to individuals and corporate entities were composed by:

Risk category	Individuals	Legal entities	Total
I	82,727	3,571,619	3,654,346
II	2,594,935	554,298	3,149,233
Total	**2,677,662**	**4,125,917**	**6,803,579**

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired as at 31 December 2011 were as follows:

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due more than 90 days	Total	Fair value of collateral
Individuals (retail clients)						
Overdrafts	3,183	-	-	-	3,183	-
Consumer loans	57,748	-	-	659	58,407	3,155
Mortgages	3,199	6,779	2,821	7,545	20,344	35,591
Legal entities						
SMEs	4,660	18,017	-	2,893	25,570	52,077
Total	**68,790**	**24,796**	**2,821**	**11,097**	**107,504**	**90,823**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

As at 31 December 2010 the gross amount of loans and advances past due but not impaired was as follows:

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due more than 90 days	Total	Fair value of collateral
Individuals (retail clients)						
Overdrafts	875	-	-	-	875	-
Consumer loans	36,501	-	-	-	36,501	-
Mortgages	5,564	-	695	4,596	10,855	21,210
Auto loans	48	-	-	-	48	242
Legal entities						
SMEs	9,371	42,977	888	574	53,810	116,969
Total	**52,359**	**42,977**	**1,583**	**5,170**	**102,089**	**138,421**

Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	31 December 2011		31 December 2010	
	Balance (gross)	Fair value of collateral	Balance (gross)	Fair value of collateral
Individuals (retail customers)				
Overdrafts	5,646	-	2,377	-
Consumer loans	658,138	435	668,427	-
Auto loans	4,767	-	13,045	1,032
Mortgage	38,545	26,098	57,712	46,891
Corporate entities				
Large corporate customers	161,595	186,325	259,377	393,768
SMEs	252,757	342,218	236,274	140,144
Federal, state and public organisations	9,648	35,900	9,648	35,900
Total	**1,131,096**	**590,976**	**1,246,860**	**617,735**

Summarizing, the movement of the allowance for impairment of loans and advances to individuals and corporate entities was as follows:

	Individuals	Legal entities	Total
1 January 2011	**692,127**	**433,266**	**1,125,393**
Charge for the period	154,304	46,219	200,523
Loans written off	(158,096)	(95,934)	(254,030)
31 December 2011	**688,335**	**383,551**	**1,071,886**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

In 2010the movement of the allowance for impairment of loans and advances to individuals and corporate entities was as follows:

	Individuals	Legal entities	Total
1 January 2010	**718,873**	**431,623**	**1,150,496**
Charge for the period	98,109	86,828	184,937
Loans written off	(124,855)	(85,185)	(210,040)
31 December 2010	**692,127**	**433,266**	**1,125,393**

Loans and advances renegotiated

Restructuring activities included extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with similar accounts. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired comprised:

	31 December 2011	31 December 2010
Individuals (retail customers)		
Consumer loans	1,174	329
Mortgages	38,376	47,965
Corporate entities		
Large corporate customers	468,782	437,611
SMEs	218,766	186,137
Total	**727,098**	**672,042**

Included in loans neither past due nor impaired as at 31 December 2011 were 21 renegotiated loans with total value of 408,765 which would otherwise be past due or impaired (31 December 2010: nine loans with total value of 178,010).

Repossessed collateral

During 2011 and 2010 the Bank took possession of collateral held as security. The following table provides details of assets repossessed by the Bank in 2011:

	Residential property	Commercial property	Other	Total
1 January 2011	**71,540**	**2,466**	**2,435**	**76,441**
Additions	15,011	1,914	111,979	128,904
Disposals	(18,324)	-	(114,414)	(132,738)
31 December 2011	**68,227**	**4,380**	**-**	**72,607**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

The following table provides details of assets repossessed by the Bank in 2010:

	Residential property	Commercial property	Industrial property	Other	Total
1 January 2010	**21,154**	**36,815**	**50,068**	**191,531**	**299,568**
Additions	54,490	2,466	-	11,491	68,447
Disposals	(4,104)	(36,815)	(50,068)	(200,587)	(291,574)
31 December 2010	**71,540**	**2,466**	**-**	**2,435**	**76,441**

At 31 December 2011 and 31 December 2010 all repossessed collateral is shown in Note 13.

Repossessed properties may be sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness or utilised by the Bank where they feel appropriate. Repossessed property to be sold is classified in the statement of financial position within other assets, and property to be utilised by the Bank is capitalised under property, plant and equipment.

Industry analysis of loans and advances to customers

The structure of the Bank's loan portfolio per economic sector is presented below:

	31 December 2011	%	31 December 2010	%
Individuals	6,785,060	48.3	3,467,503	42.5
Trade and services	3,559,349	25.3	1,971,657	24.2
Manufacture	1,119,977	8.0	923,734	11.3
Transaction with property, rent and services	582,054	4.1	485,344	6.0
Construction	507,203	3.6	228,469	2.8
Agriculture	318,559	2.2	230,556	2.8
Transport and telecommunication	284,239	2.0	103,113	1.3
Extraction of natural resources	240,651	1.7	-	-
Social services	206,791	1.5	155,477	1.9
Heating and power production	205,221	1.5	174,711	2.1
State organisations	154,409	1.1	292,571	3.6
Financial activity	64,710	0.5	2,260	0.0
Hotels and restaurants	22,680	0.2	89,913	1.1
Other	-	-	27,220	0.4
	14,050,903	**100.0**	**8,152,528**	**100.0**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Concentration of loans and advances to customers

In terms of size of loans and number of borrowers, the structure of the Bank's loan portfolio is as follows:

	31 December 2011			31 December 2010		
Amount	**Number of borrowers**	**Total debt**	**%**	**Number of borrowers**	**Total debt**	**%**
More than 60,001	12	2,195,879	15.6	12	1,553,398	19.1
From 30,001 to 60,000	28	1,111,946	7.9	17	690,254	8.5
From 15,001 to 30,000	58	1,180,324	8.4	38	801,116	9.8
From 7,501 to 15,000	71	714,113	5.1	48	506,008	6.2
From 3,001 to 7,500	195	927,211	6.5	146	534,454	6.6
From 1,501 to 3,000	618	740,457	5.3	303	557,913	6.8
From 601 to 1,500	953	1,083,698	7.7	825	647,312	7.9
From 301 to 600	1,065	435,864	3.1	898	300,177	3.7
From 151 to 300	7,277	1,724,653	12.3	2,876	403,311	4.9
From 31 to 150	42,315	3,240,151	23.1	29,416	1,647,233	20.2
From 16 to 30	20,116	504,139	3.6	16,734	364,728	4.5
From 1 to 15	30,176	192,468	1.4	15,238	146,624	1.8
Total	**102,884**	**14,050,903**	**100.0**	**66,551**	**8,152,528**	**100.0**

As at 31 December 2011 the twenty largest borrowers had an outstanding debt totalling 2,817,716, which represent 20.1% of the total loan portfolio (31 December 2010: 2,165,945 and 26.6%, respectively).

As at 31 December 2011 the largest borrower has a total debt of 301,096 which represented 2.1% of the total loan portfolio (31 December 2010: 305,733 and 3.8%, respectively).

Fair value of collateral

Collateral taken depends on the type of exposure; for legal entities usually is represented by a charge over buildings or other assets or inventories, for mortgage loans by a charge over the property purchased and for other type of credit operations different types of collateral including cash and guarantees from third parties.

The table discloses the estimated fair value of collateral received by the Bank for its loan portfolio by type of collateral and its estimated fair value:

	31 December 2011	**31 December 2010**
Real estate	6,169,182	6,736,857
Fixed assets and equipment	1,048,974	1,183,115
Right of demand	753,954	964,060
Goods in turnover	740,221	910,135
Vehicles	208,850	109,393
Securities	297	4,182
Total amount of collateral	**8,921,478**	**9,907,742**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Market risk
The Bank takes on exposure to market risks. Market risks arise from open positions in currency, interest rate and equity products, all of which are exposed to general and specific market movements. The Financial Committee sets limits on the volume of risk exposure. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The method of evaluation of market risks has developed significantly. In 2006 the Bank started estimating the market risks related to its debt securities issued portfolio using the "Value at Risk" methodology ("VaR") currently accepted as best practice. Since the number of financial instruments the Bank was working with increased, the Bank developed rules, including estimations of limits on groups of securities combined into pools in accordance with specific features of risk as well as rules of obligatory closing of positions on specific types of securities.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over one day will follow a similar pattern to those that have occurred over the periods in the past. The Bank's assessment of past movements is based on data for the past 365 days. The Bank applies these historical changes in rates, prices, indices, and so on directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/ factors used in the VaR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank's market risk control regime, VaR limits are established by the Financial Committee on monthly basis for all trading and non-trading portfolio operations and allocated to business units. Actual exposure against limits, together with a consolidated Bank-wide VaR, is reviewed daily by the Risk Management Department. Average daily VaR for the Bank was 5,786 in 2011 (2010: 9,904).

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated, and all back-testing results are reported to the Board of Directors.

Financial instruments sensitive to the market risk include state securities, corporate securities, and foreign currencies.

State bonds and a portion ofcorporatebondswereincludedinto financial assets held to maturity. As such, no VaR was calculated for them. Risk assessment for these securities was performed through review for impairment.

Corporate bonds sensitive to market risk:

Rate	1 January 2011	31 March 2011	30 June 2011	30 September 2011	31 December 2011
Fair value of the portfolio, in RUB (*)	424,025	424,233	652,611	707,347	819,362
Possible losses, in RUB (**)	5,656	6,208	5,306	6,780	4,850
Possible losses, in % from fair value of the portfolio	1.33	1.46	0.81	0.96	0.59

(*) Fair value of the portfolio was calculated according to daily prices of Moscow Interbank Currency Exchange
(**) To evaluate 'possible losses'VaR has been calculated with the use of methodology of historical modelling (the period of historical modelling is 100 days, confidence band is 99%, holding period is 1 day)

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Results of VaR calculations for foreign currencies for the years 2010 and 2011 indicate that their share of potential losses does not exceed 1% of total amount. Due to this fact, amount of potential losses on foreign currencies is accepted as 1% of total amount on the remaining financial instruments sensitive to market risk.

The sensitivity of the Bank to total market risk is presented below:

Rate	1 January 2011	31 March 2011	30 June 2011	30 September 2011	31December 2011
Equity, in RUB (*)	1,480,757	1,502,575	1,698,881	2,073,585	2,205,864
Possible losses, in RUB (**)	5,713	6,270	5,339	6,848	4,899
Possible losses, in % from the equity (share)	0.39	0.42	0.31	0.33	0.22

(*) Equity was calculated in accordance with methodology set by the CBRF

(**) 'Possible losses' were calculated by summarizing the rates of possible losses presented in the tables at corresponding dates. This method of calculating does not fully correspond to portfolio's approach of value-at-risk calculation as it is supposed that there is no correlation between the risk factors of separate portfolios. In relation to this, the calculation gives higher estimate of the Bank's sensitivity to the market risk factors.

The Bank did not perform the analyses on sensitivity of the portfolio of the financial instruments to the changes of general level of interest rates as the Bank does not have financial instruments with variable interest rates related to the refinance rate of the CBRF, LIBOR, market indexes or any other general economic indicators. In 2011 and 2010 the Bank operated only with debt securities with fixed interest rates.

Financialinstruments denominated inforeigncurrencywere taken into considerationincalculation of currency position and their sensitivity to currency risk was accounted for in computation of amount of potential losses on foreign currencies.

Geographical risk / country risk

Country risk is the risk that the Bank may suffer losses as the result of exposure of the political or economic environment of a country in which it operates or holds assets. The Bank operates in Russia predominantly for Russian customers, and therefore, as analysed in the table below it has a significant concentration of Russia exposure.

The Bank has no specific policy, objectives or processes for managing country risk, although in general it seeks to keep exposure to countries other than Russia as low as possible. Operations of the Bank beyond the Russian Federation are represented predominantly by operations with OECD countries.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

A geographical analysis of Bank's assets and liabilities as at 31 December 2011 is set out below:

	Russia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,724,162	38,275	10,042	1,772,479
Mandatory cash balances with the CBRF	185,335	-	-	185,335
Due from financial institutions	1,348,967	805	-	1,349,772
Financial assets at fair value through profit or loss	1,353,592	27,314	-	1,380,906
Financial assets held to maturity	402,597	-	-	402,597
Loans and advances to customers	12,979,017	-	-	12,979,017
Investment property	21,936	-	-	21,936
Property, plant and equipment	853,253	-	-	853,253
Other assets	99,983	-	-	99,983
Total assets	**18,968,842**	**66,394**	**10,042**	**19,045,278**
Liabilities				
Due to financial institutions	249,778	-	-	249,778
Customer accounts	16,039,654	-	-	16,039,654
Debt securities issued	94,160	-	-	94,160
Subordinated debt	255,000	-	-	255,000
Deferred tax liability	82,702	-	-	82,702
Other liabilities	74,272	-	-	74,272
Total liabilities	**16,795,566**	**-**	**-**	**16,795,566**
Net balance sheet position	**2,173,276**	**66,394**	**10,042**	**2,249,712**
Credit related commitments (Note 30)	**1,706,887**	**-**	**-**	**1,706,887**

Geographical analysis of the Bank's assets and liabilities as of 31 December 2010 is set out below:

	Russia	OECD	Non-OECD	Total
Net balance sheet position	**1,746,783**	**56,594**	**1,526**	**1,804,903**
Credit related commitments (Note 30)	**912,147**	**-**	**-**	**912,147**

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in exchange rates. The Financial Committee sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Transactions are generally performed in three major currencies: the RUB, USD and Euro.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

As at 31 December 2011 the Bank had the following positions in different currencies:

	RUB	USD	EUR	Other	Total
Monetary financial assets					
Cash and cash equivalents	1,282,213	361,096	96,732	32,438	1,772,479
Mandatory cash balances with the CBRF	185,335	-	-	-	185,335
Due from financial institutions	1,201,632	52,541	95,599	-	1,349,772
Financial assets at fair value through profit or loss	1,353,592	27,314	-	-	1,380,906
Financial assets held to maturity	402,597	-	-	-	402,597
Loans and advances to customers	12,670,528	308,489	-	-	12,979,017
Other assets	26,945	431	-	-	27,376
Total monetary financial assets	**17,122,842**	**749,871**	**192,331**	**32,438**	**18,097,482**
Monetary financial liabilities					
Due to financial institutions	138,995	110,517	266	-	249,778
Customer accounts	15,310,977	414,303	314,230	144	16,039,654
Debt securities issued	94,160	-	-	-	94,160
Subordinated debt	255,000	-	-	-	255,000
Other liabilities	74,171	101	-	-	74,272
Total monetary financial liabilities	**15,873,303**	**524,921**	**314,496**	**144**	**16,712,864**
Net balance sheet position	**1,249,539**	**224,950**	**(122,165)**	**32,294**	**1,384,618**
Credit related commitments (Note 30)	**1,706,887**	**-**	**-**	**-**	**1,706,887**

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

	RUB	USD	EUR	Other	Total
Net balance sheet position	**608,112**	**309,731**	**(28,508)**	**3,714**	**893,049**
Credit related commitments (Note 30)	**909,709**	**2,438**	**-**	**-**	**912,147**

Other currencies in assets are represented by the following currencies: Japanese Yen – the equivalent of 5,972 (31 December 2010: 2,261), Swiss Francs – the equivalent of 476 (31 December 2010: 374), Pound Sterling – the equivalent of 275 (31 December 2010: 204),Chinese Yuan – the equivalent of 25,704 (31 December 2010: 924) and Canadian dollar – 11 (31 December 2010: none).

As at 31 December 2011 other currencies in liabilities were represented by the following currencies: Chinese Yuan – the equivalent of 144 (31 December 2010: none).

In thousands of Russian Roubles

29. Financial Risk Management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the RUB to USD and EUR exchange rate, with all other variables held constant, of the Bank's profit after tax and the Bank's equity. Analysis has not been provided for other currencies as there are no significant exposures.

	2011	2010
USD		
30% increase	67,485	92,919
30% decrease	(67,485)	(92,919)
EUR		
30% increase	(36,650)	(8,552)
30% decrease	36,650	8,552

Interest rate risk

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements take place.

The Bank is exposed to this risk, principally as a result of lending and making advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In absence of hedging instruments, the Bank usually aims to balance the interest rate margins positions.

The table below shows the general analysis of the Bank's weighted average interest rates for various financial instruments using period-end effective interest rates:

	31 December 2011					31 December 2010				
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Assets										
Cash and cash equivalents	-	-	-	-	-	2.9%	-	-	-	2.9%
Due from financial institutions	5.3%	-	-	-	-	1.0%	-	7.0%	-	1.0%
Financial assets at fair value through profit or loss	-	9.5%	10.5%	9.6%	11.5%	9.2%	8.7%	6.3%	11.6%	9.2%
Financial assets held to maturity	-	8.5%	8.6%	10.9%	-	6.5%	8.3%	7.5%	8.4%	6.5%
Loans and advances to customers	16.7%	13.5%	17.4%	20.2%	13.5%	11.8%	11.7%	13.1%	12.1%	11.8%
Liabilities										
Due to financial institutions	-	-	-	7.9%	-	-	-	-	-	-
Customer accounts	1.4%	7.9%	10.0%	9.3%	8.0%	1.4%	11.1%	9.4%	10.4%	1.4%
Debt securities issued	-	8.5%	7.1%	-	-	0.6%	1.0%	1.0%	8.0%	0.6%
Subordinated debt	-	-	-	-	10.1%	-	-	-	-	-

In thousands of Russian Roubles

29. Financial Risk Management (continued)

The table below summarises the Bank's exposure to interest rate risks as at as at 31 December 2011. It includes the Bank's interest bearing financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets						
Due from financial institutions	1,112,537	-	-	-	-	1,112,537
Financial assets at fair value through profit or loss	-	27,314	211,876	741,256	358,789	1,339,235
Financial assets held to maturity	-	10,233	354,865	37,499	-	402,597
Loans and advances to customers	846,577	1,624,166	4,298,743	5,561,552	647,979	12,979,017
Total assets	**1,959,114**	**1,661,713**	**4,865,484**	**6,340,307**	**1,006,768**	**15,833,386**
Liabilities						
Customer accounts	5,997,911	804,388	5,620,562	3,616,778	15	16,039,654
Debt securities issued	15,050	-	79,110	-	-	94,160
Subordinated debt	-	-	-	-	255,000	255,000
Total liabilities	**6,012,961**	**804,388**	**5,699,672**	**3,616,778**	**255,015**	**16,388,814**
Interest rate sensitivity gap	**(4,053,847)**	**857,325**	**(834,188)**	**2,723,529**	**751,753**	**(555,428)**

ThetablebelowsummarisestheBank'sexposuretointerestrateriskasat31December2010:

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	400,047	-	-	-	-	400,047
Due from financial institutions	30,000	-	60,954	-	-	90,954
Financial assets at fair value through profit or loss	294,023	331,803	1,064,543	85,492	773	1,776,634
Financial assets held to maturity	21,201	34,754	501,285	137,423	-	694,663
Loans and advances to customers	342,034	723,822	2,588,863	2,962,659	409,757	7,027,135
Total assets	**1,087,305**	**1,090,379**	**4,215,645**	**3,185,574**	**410,530**	**9,989,433**
Liabilities						
Customer accounts	5,184,677	881,311	3,199,032	2,010,984	-	11,276,004
Debt securities issued	2,340	158	1,080	1,000	-	4,578
Total liabilities	**5,187,017**	**881,469**	**3,200,112**	**2,011,984**	**-**	**11,280,582**
Interest rate sensitivity gap	**(4,099,712)**	**208,910**	**1,015,533**	**1,173,590**	**410,530**	**(1,291,149)**

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Thetablebelowshowstheaverageinterestratebymajorcurrenciesontheassetsandliabilitiesbearinginterest.Theanalysishasbeenpreparedonthebasisofweightedaverageinterestratesforthevariousfinancialinstrumentsinaccordancewiththeagreementsvalidattheendoftheperiod.

	31 December 2011			31 December 2010		
	RUB	USD	EURO	RUB	USD	EURO
Assets						
Cashandcashequivalents	-	-	-	2.9%	-	-
Duefromfinancialinstitutions	5.3%	2.8%	-	1.0%	7.0%	-
Financialassetsatfairvaluethroughprofitorloss	9.3%	11.9%	-	7.9%	12.0%	-
Financialassetsheldtomaturity	9.11%	-	-	7.7%	-	-
Loansandadvancestocustomers	16.3%	8.5%	-	12.5%	11.3%	-
Liabilities						
Duetofinancialinstitutions	7.9%	-	-	-	-	-
Customeraccounts	7.3%	3.8%	4.1%	6.1%	5.4%	5.7%
Debtsecuritiesissued	6.4%	-	-	2.4%	-	-
Subordinatedloan	10.1%	-	-	-	-	-

Thefollowingtabledemonstratesthesensitivitytoreasonablypossiblechangesininterestrates, inbasispoints(“bp”)withallothervariablesheldconstant,oftheBank’sprofitaftertaxandtheBank’sequityasat31December2011and31December2010:

	31 December 2011	31 December 2010
RUB		
100bpparallelincrease	19,112	(12,580)
100bpparalleldecrease	(19,112)	12,580
USD		
50bpparallelincrease	(130)	(887)
50bpparalleldecrease	130	887
EURO		
50bpparallelincrease	(1,093)	(1,385)
50bpparalleldecrease	1,093	1,385

Liquidityrisk

Liquidityriskisdefinedastheriskthatarisesfromthefactthatthematurityofassetsandliabilitiesdoesnotmatch.ManagementoftheBankactivelymonitorsliquidityrisk.

Thematchingand/orcontrolledmismatchingofthematuritiesandinterestratesofassetsandliabilitiesisfundamentaltothemanagementoftheBank.Itisunusualforbanksevertobecompletelymatchedsincebusinesstransactedisoftenofanuncertaintermandofdifferenttypes.Anunmatchedpositionpotentiallyenhancesprofitability,butcanalsoincreasetheriskoflosses.

Thematuritiesofassetsandliabilitiesandtheabilitytoreplace,atanacceptablecost,interest-bearingliabilitiesastheymature,areimportantfactorsinassessingtheliquidityoftheBankanditsexposuretochangesininterestandexchangerates.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

Managementbelievesthatinspiteofasubstantialportionofcustomeraccountsbeingondemandandlessthan1month,diversificationofthesedepositsbynumberandtypeofclientsandthepastexperienceoftheBankwouldindicatethatdepositsprovide,atleastundernormalcircumstancesalong-termandstablesourceoffundingfortheBank.

TheBankcalculatesmandatoryliquidityratiosonadailybasisinaccordancewiththerequirementsoftheCBRF.Theseratiosinclude:

- Instantliquidityratio(N2),whichiscalculatedastheratioofhighly-liquidassetstoliabilitiespayableondemand
- Currentliquidityratio(N3),whichiscalculatedastheratioofliquidassetstoliabilitiesmaturingwithin30calendardays
- Long-termliquidityratio(N4),whichiscalculatedastheratioofassetsmaturingafteroneyeartocapitalandliabilitiesmaturingafteroneyear,

TheBankwasincompliancewiththeaboveratiosduringtheyearended31December2011andtheyearended31December2010.

ThefollowingtablerepresentsthemandatoryliquidityratiosfortheBank:

	Requirement	**31December2011**	**31December2010**
Instantliquidityratio(N2)	Minimum15%	41.35%	55.49%
Currentliquidityratio(N3)	Minimum50%	88.32%	77.55%
Long-termliquidityratio(N4)	Maximum120%	83.87%	67.21%

TheBank'sliquiditypositioniscalculatedonadailybasisforthethreerequirementsabovebyLiquidityDepartment,andanyissuesarehighlightedandreferredtoseniorManagementimmediately.TheBankperformsdailyoperationswithitsfinancialassetsinordertoensurelimitsarecompliedwith.

The Bank holds a diversified portfolio of cash and other financial instruments to support payment obligations and contingent funding. The Bank's assets held for managing liquidity comprise:

- Cash and cash equivalents
- Due from banks
- Financial assets at fair value through profit or loss

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity at 31 December 2011. Amounts shown are contractual undiscounted cashflows, including future interest, as required by IFRS 7 revised, although in practice the Bank manages liquidity on a different basis, as described above. Some of the assets may be of a longer term nature than presented in the table, For example, loans are frequently renewed and accordingly short term loans can have longer term durations.

In thousands of Russian Roubles

29. Financial Risk Management (continued)

	Upto1month	From1to3 months	From3to12 months	From1to5years	Morethan 5years	Total
Liabilities						
Duetobanks	111,780	4,538	5,530	161,840	-	283,688
Customeraccounts	5,901,754	815,936	6,012,894	4,039,992	27	16,770,603
Debtsecuritiesissued	15,050	-	79,985		-	95,035
Subordinated debt	-	-	-	-	511,499	511,499
Otherliabilities	74,272	-	-	-	-	74,272
Totalliabilities	**6,102,856**	**820,474**	**6,098,409**	**4,201,832**	**511,526**	**17,735,097**
Creditrelated commitments (Note 30)	**447,097**	**839,067**	**123,747**	**296,976**	**-**	**1,706,887**
Assetsheldformanagingliquidityrisk	**3,257,873**	**151,753**	**1,056,952**	**51,803**	**-**	**4,518,381**

Thetablesbelowpresentthecashflowspayablebythe Bankundernon-derivativefinancialliabilitiesandassetsheldformanagingliquidityat31December2010.

	Upto1month	From1to3 months	From3to12 months	From1to5 years	Morethan 5years	Total
Liabilities						
Duetobanks	291,317	-	-	-	-	291,317
Customeraccounts	5,161,309	891,359	3,338,651	2,459,072	-	11,850,391
Debtsecuritiesissued	2,318	158	1,085	1,161	-	4,722
Otherliabilities	62,411	-	-	-	-	62,411
Totalliabilities	**5,517,355**	**891,517**	**3,339,736**	**2,460,233**	**-**	**12,208,841**
Creditrelatedcommitments (Note 30)	**371,676**	**55,069**	**330,759**	**154,643**	**-**	**912,147**
Assetsheldformanagingliquidityrisk	**2,796,961**	**338,465**	**1,172,851**	**105,321**	**-**	**4,413,598**

Intheabovetables customer accounts payable after 1 month include the amounts relating to term deposits of individuals which, under terms of relevant deposits agreements, can be withdrawn by clients without restrictions. As at the both reporting dates total amount that can be withdrawn comprised 30% of the total customer accounts payable after 1 month. They have not been disclosed in “Up to 1 month” range as in the opinion of Management the probability of those amounts being withdrawn by the clients is considered remote,

The data in the tables above does not reconcile to the discounted cash flows which form the basis of the statement of financial position at 31 December 2011 and at 31 December 2010 and IFRS 7 revised does not require such reconciliation.

The maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due in less than one month.

29. Financial Risk Management (continued)

Liquidityrequirementstosupportcallsunderguaranteesareconsiderablylessthantheamountofthecommitment becausetheBankdoesnotgenerallyexpectthethirdpartytodrawfundsundertheagreement.Thetotaloutstanding contractualamountofcommitmentstoextendcreditdoesnotnecessarilyrepresentfuturecashrequirements, asmanyofthesecommitmentswillexpireorterminatewithoutbeingfunded.

Otherpricerisk

TheBankisexposedtotheriskthatfairvalueofcashflowsrelatedtofinancialinstrumentswillchangeasaresultofch angesofmarketprices(apartfromthosechangescausedbyinterestrateandcurrencyrisks)irrespectivelyofwheth erthesechangesarecausedbythefactors,specificforaparticularsecurityoritsissuer,thathaveimpactonallfinanc ialinstrumentsoperatingonthemarket.

Operatingrisk

Operatingriskisdefinedastheriskoflossesoccurringasaresultoffailuresininternalcontrolsystemsandinthesyst emsofdataprocessing,aswellasaresultofmistakesorintentionalwrongfulactionsofpersonnelandforce-majeurecircumstances.

TheBank hasdevelopedspecialinternalregulationsandproceduresaimedtominimiseoperatingrisk.Thereportonoperati ngrisksisconsideredquarterlybytheManagementBoardandonceayearonthemeetingoftheBoardofDirectorsof theBank.

Legalrisk

Legalriskisdefinedastheriskoflossesoccurringasaresultofnon-observancebytheBankof therequirementsofstatutoryactsandagreements,committingerrorsoflawand imperfectionsinthelegalsystem.

In2011therewerenolegalrisksinrelationtothechangesintheexistinglegislation(includingbanking,taxandcusto mslegislations).TheBankhadasmallamountofexceptionallossesconnectedwithimperfectionsinthelegalsyste m(inconsistencyoflegislation,absenceoflegalregulationsonparticularissuesofbankingactivity).

Thementionedlosseswereminimalincomparisonwiththeamountofequityanddidnothavematerialfinancialorre putationalimpactonshareholdersorpartnersoftheBank.

30. Contingencies and Commitments

Legal proceedings

In the normal course of business the Bank receives claims from customers. Management of the Bank does not consider that legal proceedings might lead to substantial losses therefore there is no need in creating a provision in this respect in the financial statements.

Tax legislation

Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities.

30. Contingencies and Commitments (continued)

If a particular treatment was to be challenged by the tax authorities, the Bank may be levied with additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years.

Russian transfer pricing implications

Russian tax legislation prior to 2012 (applies to transactions carried out prior to 31 December 2011) provided that the tax authorities have the right to verify the reasonableness of prices applied by the parties in particular transactions including the following types of transactions:

- Transactions between related parties;
- Cross-border transactions;
- Barter transactions;
- Transactions, where the price deviates by more than 20% from the price applied to identical or homogeneous goods, work or services, within a short period of time.

Should the price of the abovementioned transactions deviate from the market price by more than 20%, the tax authorities may challenge this price and recalculate the tax liabilities in relation to this transaction, based on the proven market price. As a consequence, additional tax liability and interest for late payment may be assessed.

From 1 January 2012 a new Russian transfer pricing legislation came into effect making significant changes to the previous regime.

The list of controlled transactions has been reduced (barter transactions are excluded from transfer pricing control). However, most transactions between related parties and certain transactions between third parties remain subject to transfer pricing control.

The new law introduced two new transfer pricing methods and incorporated a wider definition of related parties. The ownership threshold at which direct or indirect control is deemed to exist has been increased to 25% from 20%, however, the new rules allow the courts to deem the companies related on any other reasonable grounds.

Prices in controlled transactions are no longer permitted to deviate up to 20% from market prices – such prices should be established within the arm's length range.

Summarising the above, if the Bank carries out transactions that are subject to Russian transfer pricing regulations, it is strongly recommended to analyse prices in such transactions for 2012 and corresponding pricing methodology to verify compliance with the new law's requirements to mitigate the risk of challenging applied prices and recalculation of the tax liabilities by the tax authorities.

Capitalcommitments

Asat31December2011and31December2010theBankhadnomaterialcapitalcommitments.

In thousands of Russian Roubles

30. Contingencies and Commitments (continued)

Operatingleasecommitments

Inthenormalcourseofbusiness,theBankentersintooperatingleaseagreements.Mostoftheseagreementsaren on-cancellable.Inthetablebelowtheminimumamountoffuturerentobligationsonirrevocableoperatingleaseagreementsarepresented,wheretheBankactsasalessee:

	31 December 2011	31 December 2010
Not later than one year	82,703	37,539
Later than one year and no later than five years	118,518	86,165
Later than five years	14,226	17,936
	215,447	**141,640**

Creditrelatedcommitments

Creditrelatedcommitmentscompriseloancommitmentsandguarantees.Thecontractualamountofthesecommitmentsrepresentsthevalueatriskshouldthecontractbefullydrawnupon,theclientdefaults,andthevalueofanyexistingcollateralbecomesworthless.Outstandingcreditrelatedcommitmentsattheirnominalamountsareasfollows:

	31 December 2011	31 December 2010
Undrawn loan commitments	879,330	501,936
Undrawnoverdrafts	447,097	184,777
Letter of credit	217,280	-
Other guarantees issued	123,747	218,926
Guaranteesissuedonmortgagessold	39,433	6,508
Totalcreditrelatedcommitments	**1,706,887**	**912,147**

Managementevaluatedthelikelihoodofimpairmentinrespectofothercreditrelatedcommitmentsintheamountof664asat31December2011(31 December 2010:593).Thetotaloutstandingcontractualamountofloancommitmentsandguaranteesdoesnotnecessarilyrepresentfuturecashrequirementsasthesefinancialinstrumentsmayexpireorterminatewithoutbeingfunded.

Derivatives

Foreignexchangeandotherderivativefinancialinstrumentsaregenerallytradedinanover-the-countermarketwithprofessionalmarketcounterpartiesonstandardisedcontractualtermsandconditions.

Thenotionalamountsofcertaintypesoffinancialinstrumentsprovideabasisforcomparisonwithinstrumentsrecognisedonthe StatementofFinancialPositionbutdonotnecessarilyindicatetheamountsoffuturecashflowsinvolvedorthecurrentfairvalueoftheinstrumentsand, therefore,donotindicatetheBank’sexposuretocreditorpricerisks.

In thousands of Russian Roubles

30. Contingencies and Commitments (continued)

Thederivativeinstrumentsbecomefavourable(assets)orunfavourable(liabilities)asaresultoffluctuationsinmarketratesrelativetotheirterms.Theaggregatecontractualornotionalamountofderivativefinancialinstrumentsonhand,theextenttowhichinstrumentsarefavourableorunfavourableand,thus,theaggregatefairvaluesofderivativefinancialassetsandliabilitiescanfluctuatesignificantlyovertime.

Asat31December2011theBankhad43foreigncurrencyswapcontracts(31 December 2010: 29).

	Notional amount	CBRF rate	Notional amount	CBRF rate
	31 December 2011	31 December 2011	31 December 2010	31 December 2010
Buy RUR sell USD				
Less than one month	1,521,315	32.1961	289,234	30.4769
Buy USD sell RUR				
Less than one month	1,317,790	32.1961	-	-
Buy EUR sell RUR				
Less than one month	124,744	41.6714	32,519	40.3331

In 2011 thecorrespondingfairvaluelossandliabilityof2,260(2010: 308) hasbeenrecordedinstatementofcomprehensiveincomein the relevant line andotherliabilities.

31. FairValueofFinancialInstruments

Fairvalueistheamountatwhichafinancialinstrumentcanbeexchangedinthecourseofbusinessbetweentwowilling'arms'length'partiesapartfromforcedliquidation.Thebestassuranceoffairvalueisthemarketpriceofthefinancialinstrument.TheBank,inaccordancewithavailablemarketinformationanddifferentmethodsofvaluation,estimatedthefairvalueofthefinancialinstrumentsitholds.Howevertointerpretmarketinformationwiththepurposeofdeterminingfairvalueitisnecessarytoexerciseprofessionaljudgment.Although,forestimatingthefairvalueoffinancialinstruments,managementusesthemostuptodatemarketinformation,itmaynotalwaysrepresentthevaluethatcanberealisedincurrentconditions.

Financialinstrumentsheldatfairvalue

Cashandcashequivalents,financialassetsandliabilitiesmeasuredatfairvaluethroughprofitorlossandfinancialassetsavailableforsalearerecordedinthestatementoffinancialpositionatfairvalue.

Forsomesecuritiesexternalmarketquotesarenotavailable.Thefairvalueofsuchassetswasmeasuredaccordingtotheresultsofrecentsaleofsharestothirdparties,analysisofotherinformationsuchasdiscountedcashflowsandthefinancialinformationofcompaniesaswellasothermethodsofestimation.

Duefromfinancialinstitutions

Thefairvalueoffundsdepositedunderafloatingrateisequaltotheircarryingvalue.Fairvalueoffundsdepositedunderafixedrateisestimatedbasedonthediscountedcashflowsusingthemarketinterestratesofthestockexchangeofcashinstrumentsfortheinstrumentswithsimilarlevelofcreditriskandmaturity.Managementconsidersthatthefairvalueofduefromfinancialinstitutionsdoesnotdifferfromtheirbookvalueasat31December2011and31December2010.Thisisexplainedbyanexistingpracticeofrevisingtheinterestratestoreflectcurrentmarketconditions,becauseofwhich,interestonthemajorityofbalancesareaccruedundermarketinterestrates.

In thousands of Russian Roubles

31. FairValueofFinancialInstruments(continued)

Loansandadvancestocustomers

Loansandadvancestocustomersarerecordednetofallowanceforimpairment.Theestimatedfairvalueofloansandadvancestocustomersrepresentsthediscountedamountoffuturecashflowsexpectedtobereceived.Expectedcashflowsarediscountedatcurrentmarketratestodeterminefairvalue.Managementconsidersthatthefairvalueofloansandadvancestocustomersdidnotdiffersignificantlyfromtheirbookvalueasat31December2011and31December2010.Thisisexplainedbyanexistingpractiseofrevisingtheinterestratestoreflectcurrentmarketconditions,thereforeinterestonthemajorityofbalancesareaccruedundermarketinterestrates.

Liabilitiesatamortisedcost

Thefairvalueofinstrumentswithmarketvalueisbasedonmarketquotes.Thefairvalueofinstrumentswithuncertainmaturitydateistheamountrepayableondemand.Thefairvalueofinstrumentswithfixedinterestratewithoutmarketvalueisbasedondiscountedcashflowscalculatedusinginterestratesofnewinstrumentswithsimilarcreditriskandmaturitydate.

32. RelatedPartyTransactions

Forthepurposesofthesefinancialstatements,partiesareconsideredtoberelatedifonepartyhastheabilitytocontroltheotherpartyorexercisesignificantinfluenceovertheotherpartyinmakingfinancialoroperationaldecisionsasdefinedbyIAS24"RelatedPartyDisclosures".Inconsideringeachpossiblerelatedpartyrelationship,attentionisdirectedtothesubstanceoftherelationship,notmerelythelegalform.

MembersoftheBoardofDirectorsoftheBank,keymanagement,includingManagementBoardaswellareconsideredrelatedpartiesastheycaninfluencetheactivitiesoftheBank.

Asat31December2011
thelistofsuchindividualsandentitiesconsideredbythemanagementasrelatedpartiesonthebasisofdifferentreasonsisasfollows:

№	Name	Typeofactivity
I.Shareholders		
1.	PrimorskSocialCompany(LLC)	Rent
2.	Forseti-2003(LLC)*	Investments
3.	RattoHolding(Cyprus)Ltd.	HoldingCompanyforInvestmentVehicle
4.	DmitriyBorisovichYarovoy	SCB of PrimoryePrimsotsbank(OJSC),PresidentoftheBank
5.	VyacheslavMikhailovichPertsev	Novosibirsk SCB Levoberezhny (OJSC), member of the Board of Directors
6.	MikhailFyodorovichRobkanov	Novosibirsk SCB Levoberezhny (OJSC), member of the Board of Directors
7.	Alexander DmitrievichYarovoy **	SCB of PrimoryePrimsotsbank (OJSC), Head of Moscow branch, member of the Board of Directors

32. Related Party Transactions (continued)

II.Entitiesandindividualsaffiliatedthroughkeymanagementandtheirshareholdings (“Other”inthefollowingtable)

1.	SCB of PrimoryePrimsotsbank(OJSC)	Banking
2.	VladMorTorgPort(OJSC) *	Port
3.	Forpost–V(LLC)	Investments
4.	DalnevostochnoeBureauofCreditHistories(LLC)	Financialintermediary
5.	ZolotayaRossyp(CJSC) *	Trade
6.	Rantie	Not-forprofitorganisation
7.	ComplianceBrock(LLC)	Rent
8.	PortAktiv(CJSC) *	Transportation
9.	Alex(LLC) *	Construction
10.	OlegVladimirovichShumilin *	Forseti-2003(LLC),GeneralDirector
11.	AlexanderIvanovichBulatov *	PrimorskSocialCompany(LLC),GeneralDirector
12.	TimeLeasing (LLC) *	FinanceLease

III.Keymanagement

MembersoftheBoardofDirectors

1. SergeyViktorovichBabichev
2. GalinaSergeevnaDotcenko
3. NadezdaPavlovnaIvashchenko
4. SergeyPertovichNazarov
5. VyacheslavMikhailovichPertsev
6. MikhailFyodorovichRobkanov
7. VladimirViktorovichShaporenko
8. AlexanderDmitrievichYarovoy
9. DmitriyBorisovichYarovoy

MembersoftheBoardofManagement

1. VladimirViktorovichShaporenko
2. SergeyMikhailovichShatilov
3. LudmilaAlekseevnaGlushkova
4. ArtemVladimirovichZenkov
5. SvetlanaValentinovnaKolesnikova
6. AnnaAlexeevnaNasonova
7. NinaViktorovnaPochesneva

Note:*Denotespartiesthatceasedtoberelatedduringtheyear
**Denotesnewrelatedpartiesduringtheyear

DuringthereportingperiodtheBankenteredintotransactionswithrelatedparties,whichincludedloananddeposit agreementsandotherbankingactivities.Thesetransactionswereperformedmainlyonmarketandstandardterm sandconditions.

Detailsoftransactionsandbalanceswithrelatedpartiesaresetoutinthetablesbelow(allbalancesareunsecuredunl essotherwisestated).Balancesandtransactionswithshareholdersareincludedassuchbelowregardlessofwhet hertheshareholdersconcernedalsobelongtoanothercategoryofrelatedparty.

In thousands of Russian Roubles

32. Related Party Transactions (continued)

	31 December 2011				
Statement of Financial Position	**Share-holders**	**Other**	**Key management**	**Total balances with related parties**	**Total per category in financial statements**
NOSTRO accounts					
At the beginning of the year	-	235	-	**235**	**40,967**
Placed during the year	-	5,514,776	-	**5,514,776**	**n/a**
Repaid during the year	-	(5,514,900)	-	**(5,514,900)**	**n/a**
At the end of the year	-	112	-	**112**	**51,620**
Due from banks					
At the beginning of the year	-	-	-	**-**	**393,995**
Placed during the year	-	250,000	-	**250,000**	**n/a**
Repaid during the year	-	(250,000)	-	**(250,000)**	**n/a**
At the end of the year	-	-	-	**-**	**1,349,772**
Loans and advances to customers					
At the beginning of the year	-	-	1,536	**1,536**	**7,027,135**
Granted during the year	-	-	5,729	**5,729**	**n/a**
Repaid during the year	-	-	(5,642)	**(5,642)**	**n/a**
At the end of the year	-	-	1,623	**1,623**	**12,979,017**
Due to banks					
At the beginning of the year	-	-	-	**-**	**291,334**
Received during the year	-	5,282,221	-	**5,282,221**	**n/a**
Repaid during the year	-	(5,282,221)	-	**(5,282,221)**	**n/a**
At the end of the year	-	-	-	**-**	**249,778**
Customer accounts					
Customer deposits at the beginning of the year	-	-	3,700	**3,700**	**6,650,300**
Received during the year		-	16,437	**16,437**	**n/a**
Repaid during the year		-	(7,006)	**(7,006)**	**n/a**
Customer deposits at the end of the year		-	13,131	**13,131**	**10,673,463**
Current accounts at the beginning of the year	-	85	2,266	**2,351**	**4,625,704**
Current accounts at the end of the year	-	-	8,631	**8,631**	**5,366,191**
Subordinated loans					
At the beginning of the year	-	-	-	**-**	**-**
Received during the year	255,000	-	-	**255,000**	**n/a**
Repaid during the year	-	-	-	**-**	**n/a**
At the end of the year	255,000	-	-	**255,000**	**255,000**

In thousands of Russian Roubles

32. Related Party Transactions (continued)

	2011				
Statement of Comprehensive Income	**Share-holders**	**Other**	**Key management**	**Total transactions with related parties**	**Total per category in financial statements**
Interest income on interbank loans	-	26	-	**26**	**11,258**
Interest income on loans issued	-	1,357	177	**1,534**	**2,013,084**
Interest expense on interbank loans	-	913	-	**913**	**19,279**
Interest expense on deposits	-	-	1,041	**1,041**	**680,630**
Interest expense on subordinated loan	9,018	-	-	**9,018**	**9,018**
Gain/ (loss) from disposal of securities	67	-	-	**67**	**(10,468)**
Gains from disposal of property	3	-	-	**3**	**n/a**

	31 December 2010				
Statement of Financial Position	**Share-holders**	**Other**	**Key management**	**Total balances with related parties**	**Total per category in financial statements**
NOSTRO accounts					
At the beginning of the year	-	5,788	-	**5,788**	**52,356**
Placed during the year	-	2,143,660	-	**2,143,660**	**n/a**
Repaid during the year	-	(2,149,214)	-	**(2,149,214)**	**n/a**
At the end of the year	-	235	-	**235**	**40,967**
Due from banks					
At the beginning of the year	-	-	-	**-**	**390,590**
Placed during the year	-	205,000	-	**205,000**	**n/a**
Repaid during the year	-	(205,000)	-	**(205,000)**	**n/a**
At the end of the year	-	-	-	**-**	**393,995**
Loans and advances to customers					
At the beginning of the year	-	50,234	5,859	**56,093**	**4,454,740**
Granted during the year	-	-	3,400	**3,400**	**n/a**
Repaid during the year	-	(50,234)	(7,723)	**(57,957)**	**n/a**
At the end of the year	-	-	1,536	**1,536**	**7,027,135**
Due to banks					
At the beginning of the year	-	35,000	-	**35,000**	**275,613**
Received during the year	-	1,965,200	-	**1,965,200**	**n/a**
Repaid during the year	-	(2,000,200)	-	**(2,000,200)**	**n/a**
At the end of the year	-	-	-	**-**	**291,334**
Customer accounts					
Customer deposits at the beginning of the year	-	-	2,652	**2,652**	**4,661,625**
Received during the year	-	-	1,686	**1,686**	**n/a**
Repaid during the year	-	-	(637)	**(637)**	**n/a**
Customer deposits at the end of the year	-	-	3,700	**3,700**	**6,650,300**
Current accounts at the beginning of the year	-	375	1,633	**2,008**	**4,009,123**
Current accounts at the end of the year	-	85	2,266	**2,351**	**4,625,704**

In thousands of Russian Roubles

32. Related Party Transactions (continued)

	2010				
Statement of Comprehensive Income	**Share-holders**	**Other**	**Key management**	**Total transactions with related parties**	**Total per category in financial statements**
Interest income on interbank loans	-	23	-	**23**	**18,141**
Interest income on loans issued	-	1,083	731	**1,814**	**1,472,851**
Interest expense on interbank loans	-	201	-	**201**	**2,496**
Interest expense on deposits	-	-	593	**593**	**626,350**
Interest expense on subordinated loan	-	1,321	-	**1,321**	**1,321**
Other expenses	-	236	-	**236**	**n/a**

During the year the Bank purchased a loan portfolio from its related party SCB of PrimoryePrimsotsbank (OJSC) in the total amount of 14,773 (2010: 7,712). Portfolio was purchased at its nominal value.

Total remuneration paid to the General Director and the 6 members of management of the Bank in their capacity as employees amounted to 119,846 (2010: 28,412), all payments – short term employee benefits. There were no long term benefits, post-employment benefits, termination benefits or share based payments. The interest of members of management in the share capital of the Bank is indicated in Note 1.

33. CapitalManagement

Amongthemainobjectivesofthemanagementofcapitalarethefollowing:

§ ComplywithcapitalrequirementsregulatedbytheCBRF,

§ SupporttheBankinfunctioningasagoingconcern.

ThecompliancewiththecapitaladequacyratiorequiredbytheCBRFismonitoredthroughmonthlyreportscheckedandapprovedbytheGeneralDirectorandtheChiefAccountantoftheBank.Thefollowingothertargetsofcapitalmanagementaredailymonitored:

§ ParticipationinthedepositinsuranceschemeandcorrespondingtothequalityofcapitalrecommendedbytheAgencyofinsurancescheme;

§ IncreasingtheamountofactiveoperationsoftheBank;

§ Controllingtheabilitytofinancelong-terminvestments.

TheCBRFsetsandmonitorscapitalrequirementsfortheBank.Currentlybankshavetomaintainaratioofcapitaltoriskweightedassets,thetotalcapitalratio,computedunderCBRFreporting,abovetheprescribedminimumof10%(2010:10%).

Further,theStateDepositInsuranceSchemerequiresbankstomaintainatotalcapitalratioundersuchreportingexceedingof11%.TheBankcompliedwiththeselimitsduringtheyearandprecedingyear.ThecapitalratiooftheBankwas,at31December201112.3%(31 December 2010:13.6%).

TheBank'sprimaryaimwithregardtocapitalistomeettheserequirements.

TheBankalsoperiodicallycalculatescapitalinaccordancewithinternationalguidelines.ItschosenmeasureforthisistocalculateinaccordancewiththeBasleCapitalAccord,originallypublishedin1988,subsequentlyknownas'BasleI'.BasleIincludesdefinitionsofitemscomprisingcapitalandastructureofriskweightstobeappliedtoassetstogiveriskweightedassets.Ittherefore onlytakesaccountofcreditriskwithnoallowanceformarketoroperationalrisk.Itwasadoptedbymanycountriesinamendedornon-amendedformsandtheBankappliestheoriginalguidelinesnotadjustedtoanycountryspecificscenario.SubsequentamendmentsincludingBaselIIandIIhavenotbeenapplied.

In thousands of Russian Roubles

33. Capital Management (continued)

ThecapitaladequacyratiosinaccordancewiththeBasleIwereasfollows:

Tier1capital	31 December 2011	31 December 2010
Sharecapital	549,956	549,956
Retainedearnings	1,476,060	1,025,677
Totaltier1capital	**2,026,016**	**1,575,633**
Tier2capital		
Revaluationoffixedassets	223,696	229,270
Subordinatedloan	255,000	-
Totaltier2capital	**478,696**	**229,270**
Totalcapital	**2,504,712**	**1,804,903**
Risk-weighted assets	**15,710,543**	**10,444,386**
Total capital expressed as percentage of risk-weighted assets ("total capital ratio")	**15.94%**	**17.28%**
Tier 1 capital expressed as percentage of risk-weighted assets ("tier 1 capital ratio")	**12.90%**	**15.09%**

In2011and2010theBankcompliedwithallcapitalrequirements.

34. EventsaftertheStatementofFinancialPositionDate

In January 2012 the Bank has changed its structure, specifically: the branch in city Berdsk became additional office.

TheAnnualShareholdersMeetingoftheBankheldon26March,2012approveddividendsfor2011 amountingintotalto88,464(RUB252.57(notthousand)pereachordinaryshare).BoardofDirectorsalsoapprovednottopayremunerationtodirectorsoftheBankfortheyear2011.

On 23 April 2012 the CBR approved a subordinated loan from OOO Primorsk Social Company for a total of 250,000.