

**Open joint stock company**

**“Asian-Pacific Bank”**

**Consolidated Financial Statements  
for the 9 months ended 30 September 2012**

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**OJSC “Asian-Pacific Bank”**  
*Consolidated Interim Condensed Statement of Financial Position as at 30 September 2012*

	Notes	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>ASSETS</b>			
Cash		2 181 882	2 323 665
Placements with the Central Bank of Russia	12	1 845 262	1 854 991
Financial instruments at fair value through profit or loss	13	13 318 750	9 850 631
Due from banks	14	3 146 416	1 314 336
Amounts receivable under reverse repurchase agreements	15	954 741	-
Loans to customers	16	51 569 032	37 851 363
Net investments in finance leases	17	1 993 903	1 642 739
Current tax asset		7 989	10 538
Deferred tax asset	11	23 888	8 660
Property, equipment and intangible assets	18	4 547 641	4 220 145
Other assets	19	1 498 947	1 452 951
<b>Total assets</b>		<b>81 088 451</b>	<b>60 530 019</b>
<b>LIABILITIES</b>			
Derivative financial instruments	13	22 572	-
Amounts payable under repo agreements	20	3 489 374	-
Deposits and balances from banks	21	7 067 736	3 909 951
Current accounts and deposits from customers	22	56 483 575	46 340 622
Debt securities issued	23	2 433 548	537 674
Current tax liability		115 589	153 390
Deferred tax liability	11	391 299	312 900
Other liabilities	24	583 031	551 306
<b>Total liabilities</b>		<b>70 586 724</b>	<b>51 805 843</b>
<b>EQUITY</b>			
Share capital		562 312	562 312
Share premium		1 192 723	1 192 723
Revaluation surplus for buildings		1 352 994	1 353 464
Retained earnings		7 393 698	5 615 677
<b>Total equity</b>		<b>10 501 727</b>	<b>8 724 176</b>
<b>Total liabilities and equity</b>		<b>81 088 451</b>	<b>60 530 019</b>

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

**OJSC “Asian-Pacific Bank”**

*Consolidated Interim Condensed Statement of Cash Flows for the 9 months ended 30 September 2012*

	<b>30 September 2012</b>	<b>30 September 2011</b>
<b>Notes</b>	<b>RUB'000</b>	<b>RUB'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	7 541 120	4 779 098
Interest payments	(2 133 003)	(1 633 428)
Fee and commission receipts	1 186 358	667 685
Fee and commission payments	(136 111)	(104 910)
Net receipts from financial instruments at fair value through profit or loss	459 305	212 195
Net receipts from foreign exchange	202 156	184 356
Other income receipts	693 204	220 380
Net receipts from operations with precious metals	24 981	71 966
General administrative expenses payments	(2 769 900)	(2 017 554)
<b>(Increase) decrease in operating assets</b>		
Obligatory reserves with the CBR	(201 593)	(261 945)
Financial instruments at fair value through profit or loss	(3 440 815)	(55 457)
Available-for-sale financial assets	-	57 672
Due from banks	62 773	163 006
Amounts receivable under reverse repurchase agreements	(954 409)	5 726 883
Loans to customers	(14 817 495)	(12 856 146)
Net investments in finance leases	(243 731)	(358 886)
Other assets	(45 996)	(503 782)
<b>Increase (decrease) in operating liabilities</b>		
Deposits and balances from banks	3 126 829	1 023 566
Current accounts and deposits from customers	9 211 153	7 085 624
Amounts payable under repurchase agreements	3 487 364	-
Promissory notes	278 142	(643 982)
Other liabilities	(10 940)	11 898
<b>Net cash provided from operating activities before income tax paid</b>	<b>1 519 392</b>	<b>1 768 239</b>
Income tax paid	(478 676)	(488 291)
<b>Cash flows from operations</b>	<b>1 040 716</b>	<b>1 279 948</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and intangible assets	(604 847)	(655 434)
<b>Cash flows used in investing activities</b>	<b>(604 847)</b>	<b>(655 434)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of bonds	1 500 000	-
Distribution to shareholders	(450 000)	(12 150)
<b>Cash flows from (used in) financing activities</b>	<b>1 050 000</b>	<b>(12 150)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 485 869</b>	<b>612 364</b>
Effect of changes in exchange rates on cash and cash equivalents	31 754	(42 805)
Cash and cash equivalents as at the beginning of the period	4 518 619	4 877 516
<b>Cash and cash equivalents as at the end of the period</b>	<b>6 036 242</b>	<b>5 447 075</b>

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

**OJSC “Asian-Pacific Bank”**

*Consolidated Interim Condensed Statement of Changes in Equity for the 9 months ended 30 September 2012*

<b>RUB'000</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation surplus for buildings</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance as at 1 January 2011</b>	<b>562 312</b>	<b>1 192 723</b>	-	<b>3 738 381</b>	<b>5 493 416</b>
<b>Total comprehensive income</b>					
Profit for the period	-	-	-	1 131 620	1 131 620
<b>Total comprehensive income for the period</b>	-	-	-	<b>1 131 620</b>	<b>1 131 620</b>
<b>Transactions with owners, recorded directly in equity</b>					
Distribution to shareholders	-	-	-	(12 150)	(12 150)
<b>Total transactions with owners</b>	-	-	-	<b>(12 150)</b>	<b>(12 150)</b>
<b>Balance as at 30 September 2011</b>	<b>562 312</b>	<b>1 192 723</b>	-	<b>4 857 851</b>	<b>6 612 886</b>
<b>Balance as at 1 January 2012</b>	<b>562 312</b>	<b>1 192 723</b>	<b>1 353 464</b>	<b>5 615 677</b>	<b>8 724 176</b>
<b>Total comprehensive income</b>					
Profit for the period	-	-	-	2 227 434	2 227 434
<b>Other comprehensive income</b>					
Realization of revaluation surplus of buildings, net of deferred tax of RUB 117 thousand	-	-	(470)	587	117
<b>Total comprehensive income for the year</b>	-	-	<b>(470)</b>	<b>2 228 021</b>	<b>2 227 551</b>
<b>Transactions with owners, recorded directly in equity</b>					
Distributions to shareholders	-	-	-	(450 000)	(450 000)
<b>Total transactions with owners</b>	-	-	-	<b>(450 000)</b>	<b>(450 000)</b>
<b>Balance as at 30 September 2012</b>	<b>562 312</b>	<b>1 192 723</b>	<b>1 352 994</b>	<b>7 393 698</b>	<b>10 501 727</b>

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

# 1 Background

## Organisation and operations

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

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

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

The Bank has 251 branches from which it conducts business throughout the Russian Federation including Head office, 8 regional branches, 81 additional offices, 158 operational offices and 3 operational cash box. The registered address of the head-office is Blagoveshensk, 675000, Amurskaya Street, 225. The majority of the assets and liabilities are located in the Russian Federation.

As of 30 September 2012 the following shareholders held the issued shares of Open Joint Stock Company “Asian-Pacific Bank”:

Shareholder	30 September	31 December
	2012	2011
	%	%
LLC “PPFIN Region” (Russian Federation)	66.62	67.24
East Capital Explorer Financial Institutions Fund AB (Sweden)	17.91	17.91
International Financial Corporation	6.99	6.99
Aksenov E.V.	5.21	5.21
Others	3.27	2.65
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The principal subsidiaries are as follows:

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

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

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head-office is in Moscow and it has 10 branches (31 December 2011: 11) including 1 regional branch and 9 separate offices.

As at 30 September 2012 the average number of employees was 3 788 (31 December 2011: 3242).

## **Business environment**

### **Russian business environment**

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

## **2 Basis of preparation**

### **Statement of compliance**

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

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. As a result, they do not include all of the information required by IFRS for a complete set of financial statements. Operating results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012.

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

### **Basis of measurement**

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

### **Functional and presentation currency**

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

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

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

### **Use of estimates and judgments**

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



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

### 3 Significant accounting policies

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

#### Comparative information

With effect from 1 January 2011, the Group presents interest income on bonds acquired in net gain on financial instruments at fair value through profit or loss. The Group previously presented interest income on bonds acquired within interest income in the consolidated interim condensed statement of comprehensive income for the period ended 30 September 2011. As a result, an amount of RUB 291 604 thousand has been reclassified from interest income to net gain on financial instruments at fair value through profit or loss in the comparative consolidated interim condensed statement of comprehensive income, to conform to the 9 months 2012 presentation.

### 4 Interest income and expense

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Interest income</b>		
Loans to customers	7 171 766	4 431 388
Financial instruments at fair value through profit or loss	105 470	183 670
Loans and advances to banks	50 423	158 246
Net investment in finance leases	356 760	194 516
	<b>7 684 419</b>	<b>4 967 820</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	2 672 491	1 651 248
Deposits and balances from banks	435 816	101 001
Promissory notes issued	39 277	72 680
Bonds issued	67 917	-
Subordinated borrowings	-	12 742
	<b>3 215 501</b>	<b>1 837 671</b>

## 5 Fee and commission income

	30 September 2012 RUB'000	30 September 2011 RUB'000
Settlement fees	999 089	540 588
Guarantee and letter of credit issuance	37 973	56 648
Accounts opening and maintenance	93 860	55 979
Other	37 359	33 144
	<b>1 168 281</b>	<b>686 359</b>

## 6 Net foreign exchange income

	30 September 2012 RUB'000	30 September 2011 RUB'000
Gain on spot transactions and derivatives	183 582	127 996
Gain (loss) from revaluation of financial assets and liabilities	31 754	(42 805)
	<b>215 336</b>	<b>85 191</b>

## 7 Other operating income

	30 September 2012 RUB'000	30 September 2011 RUB'000
Penalties on loans issued	198 632	126 990
Penalties on other operations	16 334	3 679
Reimbursement of lessor expenses	18 186	-
Income of previous periods on loans	17 582	16 776
Rental income	21 230	21 231
Income from trust management	-	12 980
Income from consulting services	336 963	-
Dividend and other participation income	13 568	55
Income from realization of acquired rights of demand	19 575	6 831
Other income	51 134	31 838
	<b>693 204</b>	<b>220 380</b>

## 8 Impairment losses

	30 September 2012 RUB'000	30 September 2011 RUB'000
Loans to customers	(1 217 665)	(597 263)
Net investments in finance leases	(1 003)	(3 971)
Other assets	-	(15 052)
	<b>(1 218 668)</b>	<b>(616 286)</b>

## 9 Personnel expenses

	30 September 2012 RUB'000	30 September 2011 RUB'000
Employee compensation	1 591 674	1 222 295
Payroll related taxes	418 177	285 582
	<b>2 009 851</b>	<b>1 507 877</b>

## 10 Other general administrative expenses

	30 September 2012 RUB'000	30 September 2011 RUB'000
Taxes other than on income	114 837	77 948
Depreciation and amortization	177 761	96 023
Repairs and maintenance	77 153	59 647
Rent	64 407	47 307
Write-off of materials and loss on disposals of assets	106 105	81 017
Communications and information services	65 375	41 850
Insurance	106 981	69 751
Advertising and marketing	56 152	54 756
Security	29 137	25 484
Travel expenses	24 397	14 048
Fines and penalties	3 653	2 766
Professional services	8 475	5 800
Expenses of previous periods	27 868	6 358
Other	92 253	70 648
	<b>954 554</b>	<b>653 403</b>

## 11 Income tax expense

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Current tax expense</b>		
Current year	443 424	309 933
Origination and reversal of temporary differences	63 289	64 340
<b>Total income tax expense</b>	<b>506 713</b>	<b>374 273</b>

During 9 months ended 30 September 2012 applicable tax rate for current and deferred tax is 20% (30 September 2011: 20%).

**Reconciliation of effective tax rate**

	<b>30 September 2012</b>	<b>%</b>	<b>30 September 2011</b>	<b>%</b>
	<b>RUB'000</b>		<b>RUB'000</b>	
<b>Profit before tax</b>	<b>2 734 147</b>		<b>1 505 893</b>	
Income tax at the applicable tax rate	546 829	20.0%	301 179	20.0%
Non-deductible costs / adjustments to taxable income	(29 268)	(1.1%)	73 407	4.9%
Income taxed at lower tax rates	(10 848)	(0.4%)	(313)	(0.0%)
	<b>506 713</b>	<b>18.5 %</b>	<b>374 273</b>	<b>24.9 %</b>

**Deferred tax asset and liability**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 30 September 2012 and 31 December 2011. Net deferred tax liabilities have been recognised in these consolidated interim condensed financial statements.

Movements in temporary differences during the 9 months ended 30 September 2012 are presented as follows:

<b>RUB'000</b>	<b>Balance 1 January 2012</b>	<b>Recognised in profit or loss</b>	<b>Balance 30 September 2012</b>
Due from banks	(1 217)	1 217	-
Financial instruments at fair value through profit or loss	10 395	(5 360)	5 035
Derivative financial instruments	(5 058)	8 778	3 720
Loans to customers	(50 538)	(67 816)	(118 354)
Net investments in finance leases	8 660	15 228	23 888
Property, equipment and intangible assets	(318 095)	11 870	(306 225)
Other assets	-	(796)	(796)
Debt securities issued	246	620	866
Other liabilities	51 367	(26 912)	24 455
	<b>(304 240)</b>	<b>(63 171)</b>	<b>(367 411)</b>

Movements in temporary differences during the 9 months ended 30 September 2011 are presented as follows:

<b>30 September 2011</b>			
<b>RUB'000</b>	<b>Balance 1 January 2011</b>	<b>Recognised in profit or loss</b>	<b>Balance 30 September 2011</b>
Due from banks	(3 738)	852	(2 886)
Financial instruments at fair value through profit or loss	(10 879)	7 498	(3 381)
Derivative financial instruments	(544)	11 272	10 728
Amounts receivable under reverse repurchase agreements	(2 575)	2 575	-
Loans to customers	(99 759)	(34 668)	(134 427)
Net investment in finance leases	12 429	4 390	16 819
Property and equipment	(98 826)	6 498	(92 328)
Current accounts and deposits from customers	(5 854)	5 854	-
Other liabilities	8 788	(68 611)	(59 823)
	<b>(200 958)</b>	<b>(64 340)</b>	<b>(265 298)</b>

## 12 Placements with the Central Bank of Russia

	<b>30 September 2012 RUB'000</b>	<b>31 December 2011 RUB'000</b>
Nostro accounts	1 158 888	1 020 172
Obligatory reserves with the CBR	686 374	484 781
Term deposits	-	350 038
<b>Total placements with the Central Bank of Russia</b>	<b>1 845 262</b>	<b>1 854 991</b>

## 13 Financial instruments at fair value through profit or loss

	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>ASSETS</b>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government and municipal bonds</b>		
Russian Government Federal bonds (OFZ)	3 376 845	2 067 217
<b>Total government and municipal bonds</b>	<b>3 376 845</b>	<b>2 067 217</b>
<b>- Corporate bonds</b>		
rated from BB- to BBB+	7 326 782	1 690 351
rated below B+	2 107 126	1 070 855
not rated	298 399	193 265
<b>Total corporate bonds</b>	<b>9 732 307</b>	<b>2 954 471</b>
<b>- Promissory notes</b>		
rated from BB- to BBB+	-	3 391 834
rated below B+	-	1 221 163
not rated	-	190 655
<b>Total promissory notes</b>	<b>-</b>	<b>4 803 652</b>
<b>Equity investments</b>		
Corporate shares	205 627	-
<b>Total equity investments</b>	<b>205 627</b>	<b>-</b>
<b>Derivative financial instruments</b>		
Foreign currency contracts	3 971	25 291
	<b>13 318 750</b>	<b>9 850 631</b>
<b>LIABILITIES</b>		
<b>Derivative financial instruments</b>		
Foreign currency contracts	22 572	-
	<b>22 572</b>	<b>-</b>

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

As at 30 September 2012 securities with total fair value RUB 3 997 012 thousand are transferred under repo agreements with banks and other financial institutions.

The table below analyses financial instruments at fair value through profit or loss at 30 September 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	13 109 152	-	13 109 152
- Equity instruments	205 627	-	205 627
- Derivative assets	3 971	-	3 971
- Derivative liabilities	22 572	-	22 572
	<b>13 341 322</b>	<b>-</b>	<b>13 341 322</b>

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

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

### Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 30 September 2012 and at 31 December 2011 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	30 September 2012 RUB'000	31 December 2011 RUB'000	30 September 2012	31 December 2011
<b>Buy USD sell RUB</b>				
Less than 3 months	92 751	476 270	31.01	31.75
<b>Buy USD sell RUB</b>				
From 9 to 12 months	592 686	-	34.16	-
<b>Buy Euro sell RUB</b>				
Less than 3 months	9 995	-	40.02	-
<b>Buy JPY sell RUB</b>				
Less than 3 months	7 980	-	39.83	-
<b>Buy Gold (grams) sell RUB</b>				
Less than 3 months	531 095	1 154 860	1 757.19	1 603.95
<b>Buy eurobonds VTB ECP FINANCE LTD sell USD</b>				
Less than 3 months	4 892	-	978.3566	-
<b>Sell eurobonds Minfin RF XS0114288789 buy USD</b>				
Less than 3 months	1 960	-	0.9795	-
<b>Sell eurobonds White Nights Finance B.V. buy USD</b>				
Less than 3 months	3 363	-	1 121.0000	-
	<b>1 244 722</b>	<b>1 631 130</b>		

## 14 Due from banks

	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>Nostro accounts</b>		
- OECD banks	1 005 905	167 619
- Largest 30 Russian banks	950 505	156 091
- Other Russian banks	121 808	275 065
- Other foreign banks	37 478	48 011
<b>Total nostro accounts</b>	<b>2 115 696</b>	<b>646 786</b>
<b>Term deposits</b>		
- OECD banks	453 168	485 589
- Largest 30 Russian banks	204 538	167 010
- Other foreign banks	-	12 636
- Other Russian banks	373 014	2 315
<b>Total term deposits</b>	<b>1 030 720</b>	<b>667 550</b>
	<b>3 146 416</b>	<b>1 314 336</b>

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

As at 30 September 2012 the Group has no banks (31 December 2011: no banks), whose balances individually exceed 10% of equity.

## 15 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repo agreements showing individual types of securities received as collateral under repo agreements outstanding as at 30 September 2012:

	Government and municipal bonds	Corporate bonds	Shares	Total
<b>Amounts receivable under reverse repurchase agreements</b>				
- Other Russian banks	-	197 855	-	197 855
- Other financial institutions	192 763	514 105	50 018	756 886
	<b>192 763</b>	<b>711 960</b>	<b>50 018</b>	<b>954 741</b>

Fair value of securities received under repo agreements as at 30 September 2012 comprised RUB 995 572 thousand.

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

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



## 16 Loans to customers

	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>Loans to corporate customers</b>	<b>16 448 729</b>	<b>13 877 657</b>
<b>Loans to retail customers</b>		
Consumer loans	33 113 689	23 180 556
Mortgage loans	4 648 635	2 601 255
<b>Total loans to retail customers</b>	<b>37 762 324</b>	<b>25 781 811</b>
<b>Gross loans to customers</b>	<b>54 211 053</b>	<b>39 659 468</b>
Impairment allowance	(2 642 021)	(1 808 105)
<b>Net loans to customers</b>	<b>51 569 032</b>	<b>37 851 363</b>

Movements in the loan impairment allowance by classes of loans to customers for the 9 months ended 30 September 2012 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
<b>Balance at 1 January 2012</b>	<b>347 376</b>	<b>1 460 729</b>	<b>1 808 105</b>
Net charge	167 815	1 049 850	1 217 665
Write-offs	(2 875)	(380 874)	(383 749)
<b>Balance at 30 September 2012</b>	<b>512 316</b>	<b>2 129 705</b>	<b>2 642 021</b>

Movements in the loan impairment allowance by classes of loans to customers for the 9 months ended 30 September 2011 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
<b>Balance at 1 January 2011</b>	<b>296 833</b>	<b>1 503 159</b>	<b>1 799 992</b>
Net charge	138 213	459 050	597 263
Write-offs	-	(396 480)	(396 480)
<b>Balance at 30 September 2011</b>	<b>435 046</b>	<b>1 565 729</b>	<b>2 000 775</b>

**Credit quality of loans to customers**

The following table provides information on the credit quality of loans to customers as at 30 September 2012:

	<b>Gross loans</b>	<b>Impairment allowance</b>	<b>Net loans</b>	<b>Impairment allowance to gross loans,</b>
	<b>RUB'000</b>	<b>RUB'000</b>	<b>RUB'000</b>	<b>%</b>
<b>Loans to corporate customers</b>				
Loans without individual signs of impairment	14 604 052	(135 034)	14 469 018	0.92%
Watch list loans	1 287 752	(12 733)	1 275 019	0.99%
Impaired loans:				
- not overdue	67 949	(664)	67 285	0.98%
- overdue less than 90 days	58 042	(4 603)	53 439	7.93%
- overdue more than 90 days and less than 1 year	116 439	(113 163)	3 276	97.19%
- overdue more than 1 year	314 495	(246 119)	68 376	78.26%
<b>Total impaired loans</b>	<b>556 925</b>	<b>(364 549)</b>	<b>192 376</b>	<b>65.46%</b>
<b>Total loans to corporate customers</b>	<b>16 448 729</b>	<b>(512 316)</b>	<b>15 936 413</b>	<b>3.11%</b>
<b>Loans to retail customers</b>				
<b>Consumer loans</b>				
- not overdue	28 513 847	(85 072)	28 428 775	0.30%
- overdue less than 30 days	1 019 924	(20 595)	999 329	2.02%
- overdue 30-89 days	665 652	(169 708)	495 944	25.50%
- overdue 90-179 days	741 253	(328 186)	413 067	44.27%
- overdue more than 180 days	2 173 013	(1 501 020)	671 993	69.08%
<b>Total consumer loans</b>	<b>33 113 689</b>	<b>(2 104 581)</b>	<b>31 009 108</b>	<b>6.36%</b>
<b>Mortgage loans</b>				
- not overdue	4 600 765	(2 634)	4 598 131	0.06%
- overdue less than 30 days	2 458	(87)	2 371	3.54%
- overdue 30-89 days	12 572	(1 347)	11 225	10.71%
- overdue 90-179 days	7 270	(2 495)	4 775	34.32%
- overdue more than 180 days	25 570	(18 561)	7 009	72.59%
<b>Total mortgage loans</b>	<b>4 648 635</b>	<b>(25 124)</b>	<b>4 623 511</b>	<b>0.54%</b>
<b>Total loans to retail customers</b>	<b>37 762 324</b>	<b>(2 129 705)</b>	<b>35 632 619</b>	<b>5.64%</b>
<b>Total loans to customers</b>	<b>54 211 053</b>	<b>(2 642 021)</b>	<b>51 569 032</b>	<b>4.87%</b>

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

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

**Industry and geographical analysis of the loan portfolio**

Loans to customers were issued primarily to customers located within the Russian Federation who operate in the following economic sectors:

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUB'000</b>	<b>RUB'000</b>
Wholesale and retail trade	4 534 446	4 635 858
Construction	1 236 478	1 459 664
Production	1 754 542	1 417 731
Mining	983 975	1 353 862
Fishery	667 304	848 230
Real estate	828 984	647 082
Investment activities	504 823	422 591
Services	1 919 298	347 926
Energy	600 445	194 487
Insurance	162 801	255 420
Local authorities and municipal enterprises	86 116	147 587
Other	3 169 517	2 147 219
Individuals	37 762 324	25 781 811
	<b>54 211 053</b>	<b>39 659 468</b>
Impairment allowance	<b>(2 642 021)</b>	<b>(1 808 105)</b>
	<b>51 569 032</b>	<b>37 851 363</b>

**Significant credit exposures**

As at 30 September 2012 the Group has no borrowers or groups of connected borrowers whose loan balances individually exceed 10% of equity (31 December 2011: no borrowers or group of borrowers).

## 17 Net investments in finance leases

Net investments in finance leases as of 30 September 2012 comprise:

	30 September 2012 RUB'000	31 December 2011 RUB'000
Gross investments in finance leases	2 684 247	2 216 820
Less unearned finance lease income	(652 346)	(537 086)
	<b>2 031 901</b>	<b>1 679 734</b>
Less allowance for impairment	(37 998)	(36 995)
<b>Net investments in finance leases</b>	<b>1 993 903</b>	<b>1 642 739</b>

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

Future minimum lease payments to be received following 30 September 2012 are disclosed below:

	30 September 2012 RUB'000	31 December 2011 RUB'000
Within 1 year	1 258 594	919 853
From 1 to 5 years	1 388 693	1 267 581
More than 5 years	36 960	29 386
<b>Minimum lease payments receivable</b>	<b>2 684 247</b>	<b>2 216 820</b>

Gross investment in leases as of 30 September 2012 is receivable in the following currencies:

	30 September 2012 RUB'000	31 December 2011 RUB'000
RUB	2 351 664	1 956 987
USD	330 015	243 656
EUR	2 568	16 177
<b>Gross investments in finance leases</b>	<b>2 684 247</b>	<b>2 216 820</b>

Movements in the impairment allowance for investments in finance leases for the 9 months ended 30 September 2012 are as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Balance at 1 January</b>	36 995	40 653
Net charge	1 003	3 971
<b>Balance at 30 September</b>	<b>37 998</b>	<b>44 624</b>

## 18 Property, equipment and intangible assets

RUB'000	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Computers and equipment</u>	<u>Fixtures and fittings</u>	<u>Vehicles</u>	<u>Intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost								
Balance at 1 January 2012	3 589 540	5 288	447 627	38 667	116 677	227 249	191 405	4 616 453
Additions	185 188	-	268 171	1 008	45 778	29 495	93 619	623 259
Disposals	<u>(1 280)</u>	<u>-</u>	<u>(6 350)</u>	<u>(439)</u>	<u>(102 195)</u>	<u>(28 453)</u>	<u>-</u>	<u>(138 717)</u>
<b>At 30 September 2012</b>	<b><u>3 773 448</u></b>	<b><u>5 288</u></b>	<b><u>709 448</u></b>	<b><u>39 236</u></b>	<b><u>60 260</u></b>	<b><u>228 291</u></b>	<b><u>285 024</u></b>	<b><u>5 100 995</u></b>
Depreciation and impairment losses								
Balance at 1 January 2012	4 104	574	280 946	36 320	18 520	55 844	-	396 308
Depreciation for the year	74 050	79	52 052	606	22 478	28 496	-	177 761
Disposals	<u>(189)</u>	<u>-</u>	<u>(1 833)</u>	<u>(439)</u>	<u>(9 437)</u>	<u>(8 817)</u>	<u>-</u>	<u>(20 715)</u>
<b>Balance at 30 September 2012</b>	<b><u>77 965</u></b>	<b><u>653</u></b>	<b><u>331 165</u></b>	<b><u>36 487</u></b>	<b><u>31 561</u></b>	<b><u>75 523</u></b>	<b><u>-</u></b>	<b><u>553 354</u></b>
Carrying amounts								
<b>At 30 September 2012</b>	<b><u>3 695 483</u></b>	<b><u>4 635</u></b>	<b><u>378 283</u></b>	<b><u>2 749</u></b>	<b><u>28 699</u></b>	<b><u>152 768</u></b>	<b><u>285 024</u></b>	<b><u>4 547 641</u></b>
<b>At 1 January 2012</b>	<b><u>3 585 436</u></b>	<b><u>4 714</u></b>	<b><u>166 681</u></b>	<b><u>2 347</u></b>	<b><u>98 157</u></b>	<b><u>171 405</u></b>	<b><u>191 405</u></b>	<b><u>4 220 145</u></b>

RUB'000	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Computers and equipment</u>	<u>Fixtures and fittings</u>	<u>Vehicles</u>	<u>Intangible assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost								
Balance at 1 January 2011	1 628 530	5 288	470 208	37 907	30 383	96 948	147 301	2 416 565
Additions	228 436	-	200 253	299	3 930	120 480	165 768	719 166
Disposals	-	-	(47 053)	(141)	(8 204)	(15 475)	-	(70 873)
<b>At 30 September 2011</b>	<b><u>1 856 966</u></b>	<b><u>5 288</u></b>	<b><u>623 408</u></b>	<b><u>38 065</u></b>	<b><u>26 109</u></b>	<b><u>201 953</u></b>	<b><u>313 069</u></b>	<b><u>3 064 858</u></b>
Depreciation and impairment losses								
Balance at 1 January 2011	172 148	468	272 124	35 581	14 535	29 951	-	524 807
Depreciation for the year	25 012	79	36 351	821	3 502	30 258	-	96 023
Disposals	-	-	(926)	(11)	(3 604)	(2 600)	-	(7 141)
<b>Balance at 30 September 2011</b>	<b><u>197 160</u></b>	<b><u>547</u></b>	<b><u>307 549</u></b>	<b><u>36 391</u></b>	<b><u>14 433</u></b>	<b><u>57 609</u></b>	<b><u>-</u></b>	<b><u>613 689</u></b>
Carrying amounts								
<b>At 30 September 2011</b>	<b><u>1 659 806</u></b>	<b><u>4 741</u></b>	<b><u>315 859</u></b>	<b><u>1 674</u></b>	<b><u>11 676</u></b>	<b><u>144 344</u></b>	<b><u>313 069</u></b>	<b><u>2 451 169</u></b>
<b>At 1 January 2011</b>	<b><u>1 456 382</u></b>	<b><u>4 820</u></b>	<b><u>198 084</u></b>	<b><u>2 326</u></b>	<b><u>15 848</u></b>	<b><u>66 997</u></b>	<b><u>147 301</u></b>	<b><u>1 891 758</u></b>

## 19 Other assets

	30 September 2012 RUB'000	31 December 2011 RUB'000
Other receivables	142 454	131 524
<b>Total other financial assets</b>	<b>142 454</b>	<b>131 524</b>
Accruals on finance lease contracts with equipment not transferred to lease	130 104	-
Prepayments for assets to be leased under finance lease	274 242	461 195
Prepayments	323 271	338 744
Advances on precious metals delivery	437 046	324 363
Materials and supplies	20 813	26 419
Other	171 017	170 706
<b>Total other non-financial assets</b>	<b>1 356 493</b>	<b>1 321 427</b>
<b>Total other assets</b>	<b>1 498 947</b>	<b>1 452 951</b>

## 20 Amounts payable under repo agreements

The table below sets out payables under direct repo agreements showing individual types of securities transferred as collateral under repo agreements outstanding as at 30 September 2012:

	Corporate bonds	Government and municipal bonds	Total
<b>Amounts payable under direct repo agreements</b>			
- The CBR	1 960 990	1 142 347	3 103 337
- Other Russian banks	-	386 037	386 037
	<b>1 960 990</b>	<b>1 528 384</b>	<b>3 489 374</b>

Fair value of securities transferred under repo agreements as at 30 September 2012 comprised RUB 3 997 012 thousand.

There are no payables under direct repo agreements as at 31 December 2011.

## 21 Deposits and balances from banks

	30 September 2012 RUB'000	31 December 2011 RUB'000
Vostro accounts	56 449	331 144
Term deposits	7 011 287	3 578 807
	<b>7 067 736</b>	<b>3 909 951</b>

As at 30 September 2012 the Group has two banks (31 December 2011: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 30 September 2012 is RUB 3 115 534 thousand (31 December 2011: RUB 1 803 707 thousand).

### Covenants

As at 30 September 2012, the Group has term deposits from one of the bank amounting to RUB 1 622 786 thousand (31 December 2011: RUB 1 622 339 thousand) with maturities set out in the table below:



	<b>30 September 2012</b> <b>RUB'000</b>	<b>31 December 2011</b> <b>RUB'000</b>
- repayable on 23 December 2013	577 879	917 993
- repayable on 27 July 2016	565 784	704 346
- repayable on 5 July 2017	176 664	-
- repayable on 15 August 2017	302 459	-
	<b>1 622 786</b>	<b>1 622 339</b>

According to the terms of the agreements, the Group is subject to a debt covenant stating that funds should be used for loan issuance to small and medium size entities. The Bank should comply with all ratios of the CBR and the N1 ratio should be not less than 10.1%.

As at 30 September 2012, the Group has term deposits from another bank amounting to RUB 285 122 thousand repayable on 15 June 2015 (31 December 2011: RUB 332 920 thousand). According to the terms of the agreement the Group is subject to a debt covenant stating that funds should be used for issuance of loans to small and medium size entities and at the end of each year should comply with a number of financial and non-financial covenants.

During 9 months 2012 and 2011 the Group did not breach any covenants described above.

## 22 Current accounts and deposits from customers

	<b>30 September 2012</b> <b>RUB'000</b>	<b>31 December 2011</b> <b>RUB'000</b>
Current accounts and demand deposits		
- Retail	3 424 548	3 284 368
- Corporate	11 258 865	9 772 574
Term deposits		
- Retail	35 906 659	25 651 605
- Corporate	5 893 503	7 632 075
	<b>56 483 575</b>	<b>46 340 622</b>

As at 30 September 2012, the Group has no customers (31 December 2011: no customers), whose balances individually exceed 10% of equity.

## 23 Debt securities issued

	<b>30 September 2012</b> <b>RUB'000</b>	<b>31 December 2011</b> <b>RUB'000</b>
Bonds	1 563 942	-
Promissory notes	869 606	537 674
	<b>2 433 548</b>	<b>537 674</b>

Bonds comprised a total of 1 500 000 non-convertible interest debt securities matured on 30 April 2015 with nominal RUB 1 000 par value and nominal coupon rate 10.25% as at 30 September 2012.

## 24 Other liabilities

	30 September 2012 RUB	31 December 2011 RUB'000
Payables to employees	262 089	272 264
Payables to creditors and advances received	144 981	247 703
Provision for guarantees and letters of credit issued	18 077	16 553
Other taxes payable	112 427	6 804
Other non-financial liabilities	45 457	7 982
	<b>583 031</b>	<b>551 306</b>

## 25 Earnings per share

	30 September 2012 RUB	30 September 2011 RUB
<b>Earnings per share</b>		
Basic earnings per share	0,0000004501	0,0000002287

The calculation of basic earnings per share as at 30 September 2012 and 30 September 2011 is based on the profit attributable to ordinary shareholders of RUB 2 227 434 thousand (30 September 2011: RUB 1 131 620 thousand), and a weighted average number of ordinary shares outstanding of 4 949 019 820 689 000 (30 September 2011: 4 949 019 820 689 000).

## 26 Analysis by segment

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

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

Segment breakdown of assets and liabilities is set out below:

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUB'000</b>	<b>RUB'000</b>
<b>ASSETS</b>		
Far East region	39 253 157	28 491 545
Siberia region	19 670 583	13 806 811
West region	19 183 770	14 962 925
<b>Total assets</b>	<b>78 107 510</b>	<b>57 261 281</b>
<b>LIABILITIES</b>		
Far East region	45 927 632	37 674 212
Siberia region	11 172 411	6 990 091
West region	11 522 717	5 170 398
<b>Total liabilities</b>	<b>68 622 760</b>	<b>49 834 701</b>

Segment information for the main reportable segments on profit and losses for the 9 months ended 30 September 2012 is set below:

<b>RUB'000</b>	<b>Far East region</b>	<b>Siberia region</b>	<b>West region</b>	<b>Total</b>
External interest income	3 877 333	2 231 469	506 481	6 615 283
Fee and commission income	1 508 920	762 459	81 760	2 353 139
Net gain on other financial instruments at fair value through profit or loss	(1785)	-	501 262	499 477
Net foreign exchange income	180 680	65 191	33 857	279 728
Other operating income	176 294	83 223	2 454	261 971
<b>Revenue</b>	<b>5 741 442</b>	<b>3 142 342</b>	<b>1 125 814</b>	<b>10 009 598</b>
Impairment losses	867 053	481 493	23 002	1 371 548
External interest expense	2 159 833	540 231	408 350	3 108 414
Fee and commission expense	52 143	15 148	9 097	76 388
Other general administrative expenses	2 564 041	206 997	26 592	2 797 630
<b>Segment result</b>	<b>98 372</b>	<b>1 898 473</b>	<b>658 773</b>	<b>2 655 618</b>
Income tax expense				311 567
<b>Net profit after taxes</b>				<b>2 344 051</b>

Segment information for the main reportable segments on profit and losses for the 9 months ended 30 September 2011 is set below:

<b>RUB'000</b>	<b>Far East region</b>	<b>Siberia region</b>	<b>West region</b>	<b>Total</b>
External interest income	2 305 525	1 124 617	640 992	4 071 134
Fee and commission income	906 264	373 144	76 043	1 355 451
Net gain on other financial instruments at fair value through profit or loss	(3 112)	-	141 627	138 515
Net foreign exchange income	164 323	47 942	12 779	225 044
Net gain on available-for-sale financial assets	-	-	(3 550)	(3 550)
Other operating income	124 839	50 828	2 773	178 440
<b>Revenue</b>	<b>3 497 839</b>	<b>1 596 531</b>	<b>870 664</b>	<b>5 965 034</b>
Impairment losses (recovery)	438 163	348 497	19 320	805 980
Interest expense	1 417 282	237 863	133 495	1 788 640
Fee and commission expense	21 393	9 345	12 757	43 495
Other general administrative expenses	1 554 309	426 407	68 775	2 049 491
<b>Segment result</b>	<b>66 692</b>	<b>574 419</b>	<b>636 317</b>	<b>1 277 428</b>
Income tax expense				304 038
<b>Net profit after taxes</b>				<b>973 390</b>

**Reconciliations of reportable segment profit or loss, assets and liabilities**

	<b>30 September 2012</b>	<b>30 September 2011</b>
	<b>RUB'000</b>	<b>RUB'000</b>
<b>Profit or loss</b>		
Total profit or loss for reportable segments	2 344 051	973 390
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	18 080	22 909
- allowance for impairment	171 994	189 694
- depreciation and amortisation of property and equipment and intangible assets	(40 850)	(5 850)
- other adjustments, including consolidation adjustments	(265 841)	(48 523)
<b>Consolidated profit or loss</b>	<b>2 227 434</b>	<b>1 131 620</b>
	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUB'000</b>	<b>RUB'000</b>
<b>Assets</b>		
Total assets for reportable segments	78 107 510	57 261 281
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	(213 237)	(135 685)
- allowance for impairment of loans and advances to customers and finance lease receivables	792 843	842 841
- allowance for impairment of other assets	416 355	286 902
- depreciation and amortisation of property and equipment and intangible assets	46 183	80 913
- securities at fair value	788	14 108
- deferred income tax asset	23 888	8 660
- recognition of goodwill	73 571	73 571
- revaluation of property and equipment	125 663	125 866
- assets of subsidiary	1 467 335	1 333 220
- other adjustments	247 552	638 342
<b>Consolidated assets</b>	<b>81 088 451</b>	<b>60 530 019</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	68 622 760	49 834 701
IFRS accounting policy adjustments:		
- accounting for deferred tax liability	391 299	312 900
- liabilities of subsidiary	1 395 049	1 341 346
- other adjustments	177 616	316 896
<b>Consolidated liabilities</b>	<b>70 586 724</b>	<b>51 805 843</b>

## 27 Risk management

### a) Interest rate risk

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

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 September 2012 and 31 December 2011. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 September 2012			31 December 2011		
	Average effective interest rate, %			Average effective interest rate, %		
	RUB	USD	Other currencies	RUB	USD	Other currencies
<b>Interest bearing assets</b>						
Term deposits with the CBR	-	-	-	4%	-	-
Financial instruments at fair value through profit or loss	9%	10%	-	7%	9%	-
Due from banks						
- nostro accounts	-	-	-	2%	-	-
- term deposits	8%	7%	-	8%	11%	-
Amounts receivable under reverse repurchase agreements	7%	-	-	-	-	-
Loans to customers						
- retail	23%	10%	-	23%	10%	-
- corporate	13%	11%	11%	12%	10%	11%
Net investments in finance leases	28%	23%	40%	23%	20%	35%
<b>Interest bearing liabilities</b>						
Deposits and balances from banks	10%	6%	4%	9%	-	-
Amounts payable under repo agreements	6%	-	-	-	-	-
Term deposits from customers						
- retail	11%	6%	6%	9%	6%	6%
- corporate	8%	5%	4%	7%	3%	4%
Debt securities issued						
- promissory notes	7%	-	-	8%	-	9%
- bonds	10%	-	-	-	-	-

### b) Currency risk

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

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

The following table shows the foreign currency structure of assets and liabilities as at 30 September 2012:

	<b>RUB</b> <b>RUB'000</b>	<b>USD</b> <b>RUB'000</b>	<b>EUR</b> <b>RUB'000</b>	<b>Precious metals</b> <b>RUB'000</b>	<b>Other</b> <b>currencies</b> <b>RUB'000</b>	<b>Total</b> <b>RUB'000</b>
<b>ASSETS</b>						
Cash	1 459 782	422 934	223 086	-	76 080	2 181 882
Placements with the Central Bank of Russia	1 845 262	-	-	-	-	1 845 262
Financial instruments at fair value through profit or loss	11 716 724	1 598 073	-	3 939	14	13 318 750
Due from banks	882 005	1 035 256	298 995	912 058	18 102	3 146 416
Amounts receivable under reverse repurchase agreements	954 741	-	-	-	-	954 741
Loans to customers	50 142 193	1 156 987	269 852	-	-	51 569 032
Net investments in finance leases	1 781 246	210 263	2 394	-	-	1 993 903
Current tax asset	7 989	-	-	-	-	7 989
Deferred tax asset	23 888	-	-	-	-	23 888
Property, equipment and intangible assets	4 547 641	-	-	-	-	4 547 641
Other assets	1 388 764	46 724	58 810	-	4 649	1 498 947
<b>Total assets</b>	<b>74 750 235</b>	<b>4 470 237</b>	<b>853 137</b>	<b>915 997</b>	<b>98 845</b>	<b>81 088 451</b>

	<b>RUB</b> <b>RUB'000</b>	<b>USD</b> <b>RUB'000</b>	<b>EUR</b> <b>RUB'000</b>	<b>Precious metals</b> <b>RUB'000</b>	<b>Other</b> <b>currencies</b> <b>RUB'000</b>	<b>Total</b> <b>RUB'000</b>
<b>LIABILITIES</b>						
Derivative financial instruments	-	22 536	10	-	26	22 572
Amounts payable under repo agreements	3 489 374	-	-	-	-	3 489 374
Deposits and balances from banks	6 176 196	867 466	20 896	-	3 178	7 067 736
Current accounts and deposits from customers	50 239 733	4 000 040	787 385	1 435 350	21 067	56 483 575
Debt securities issued	2 121 885	310 153	1 510	-	-	2 433 548
Current tax liability	115 589	-	-	-	-	115 589
Deferred tax liability	391 299	-	-	-	-	391 299
Other liabilities	537 533	44 754	493	-	251	583 031
<b>Total liabilities</b>	<b>63 071 609</b>	<b>5 244 949</b>	<b>810 294</b>	<b>1 435 350</b>	<b>24 522</b>	<b>70 586 824</b>
<b>Net position</b>	<b>11 678 626</b>	<b>(774 712)</b>	<b>42 844</b>	<b>(519 353)</b>	<b>74 322</b>	<b>10 501 727</b>
<b>The effect of derivatives held for risk management</b>	<b>(1 234 507)</b>	<b>685 868</b>	<b>9 995</b>	<b>531 096</b>	<b>7 548</b>	<b>-</b>
<b>Net position after derivatives held for risk management purposes</b>	<b>10 444 119</b>	<b>(88 844)</b>	<b>52 838</b>	<b>11 743</b>	<b>81 871</b>	<b>10 501 727</b>



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

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

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

### c) Liquidity risk

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

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 30 September 2012:

<b>RUB'000</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Total</b>
<b>Assets</b>							
Cash	2 181 882	-	-	-	-	-	2 181 882
Placements with the Central Bank of Russia	1 158 888	-	-	-	-	686 374	1 845 262
Financial instruments at fair value through profit or loss	13 318 750	-	-	-	-	-	13 318 750
Due from banks	2 695 471	-	397 490	-	-	53 455	3 146 416
Amounts receivable under reverse repurchase agreements	954 741	-	-	-	-	-	954 741
Loans to customers	1 820 282	5 249 470	13 356 819	26 460 360	4 682 101	-	51 569 032
Net investments in finance leases	74 552	149 097	670 968	1 066 602	32 684	-	1 993 903
Current tax asset	7 989	-	-	-	-	-	7 989
Deferred tax asset	-	-	-	-	-	23 888	23 888
Property, equipment and intangible assets	-	-	-	-	-	4 547 641	4 547 641
Other assets	824 080	347 083	327 784	-	-	-	1 498 947
<b>Total assets</b>	<b>23 036 635</b>	<b>5 745 650</b>	<b>14 753 061</b>	<b>27 526 962</b>	<b>4 714 785</b>	<b>5 311 358</b>	<b>81 088 451</b>
<b>Liabilities</b>							
Derivative financial instruments	348	-	22 224	-	-	-	22 572
Amounts payable under repo agreements	3 489 374	-	-	-	-	-	3 489 374
Deposits and balances from banks	450 580	563 067	1 410 316	4 458 160	185 613	-	7 067 736
Current accounts and deposits from customers	25 377 299	7 357 120	18 418 168	5 330 988	-	-	56 483 575
Debt securities issued	242 825	253 244	406 560	1 507 195	23 724	-	2 433 548
Current tax liability	115 589	-	-	-	-	-	115 589
Deferred tax liability	-	-	-	-	-	391 299	391 299
Other liabilities	478 832	104 199	-	-	-	-	583 031
<b>Total liabilities</b>	<b>30 154 847</b>	<b>8 277 630</b>	<b>20 257 268</b>	<b>11 296 343</b>	<b>209 337</b>	<b>391 299</b>	<b>70 586 724</b>
<b>Net position</b>	<b>(7 118 212)</b>	<b>(2 531 980)</b>	<b>(5 504 207)</b>	<b>16 230 619</b>	<b>4 505 448</b>	<b>4 920 059</b>	<b>10 501 727</b>

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

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

## 28 Capital management

The CBR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 30 September 2012 and 31 December 2011, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio.

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

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basle Accord as at 30 September:

	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>Tier 1 capital</b>		
Share capital	562 312	562 312
Share premium	1 192 723	1 192 723
Retained earnings	7 393 698	5 615 677
<b>Total tier 1 capital</b>	<b>9 148 733</b>	<b>7 370 712</b>
<b>Tier 2 capital</b>		
Revaluation surplus for buildings	1 352 994	1 353 464
<b>Total tier 2 capital</b>	<b>1 352 994</b>	<b>1 353 464</b>
<b>Total capital</b>	<b>10 501 727</b>	<b>8 724 176</b>
<b>Risk-weighted assets</b>		
Banking book	64 908 731	48 782 973
Trading book	6 332 528	3 110 545
<b>Total risk weighted assets</b>	<b>71 241 259</b>	<b>51 893 518</b>
<b>Total capital expressed as a percentage of risk-weighted assets (total capital ratio)</b>	<b>14.74%</b>	<b>16.81%</b>
<b>Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)</b>	<b>12.84%</b>	<b>14.20%</b>

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

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

## 29 Commitments

	30 September 2012 RUB'000	31 December 2011 RUB'000
<b>Contracted amount</b>		
Guarantees and letters of credit	2 558 047	2 213 476
Undrawn overdraft facilities	3 713 362	2 411 578
Loan and credit line commitments	686 383	599 665
	<b>6 957 792</b>	<b>5 224 719</b>

## 30 Cash and cash equivalents

	30 September 2012 RUB'000	31 December 2011 RUB'000
Cash on hand	2 181 882	2 323 665
Nostro accounts with the CBR	1 158 888	1 020 172
Nostro accounts with other banks	2 115 696	646 786
Term deposits with the CBR	-	350 038
Term deposits with other banks	579 776	177 958
<b>Total cash and cash equivalents</b>	<b>6 036 242</b>	<b>4 518 619</b>

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

## 31 Related party transactions

### (a) Control relationships

The Group's parent company is LLC "PPFIN Region" (Russian Federation). As of 30 September 2012, the ultimate beneficial owners of the Group were Mr. Andrey Vdovin (the owner of 16.655%), Mr. Kirill Yakubovsky (the owner of 16.655%), Mr. Pavel Maslovsky (the owner of 16.655%), Mr. Peter Hambro (the owner of 16.655%), East Capital Explorer Financial Institution Fund (Sweden) (the owner of 17.91%), International Finance Corporation (6.99%) and Mr. Evgeniy Aksenov (the owner of 5.21%).

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

Total remuneration included in personnel expenses for the 9 months ended 30 September is as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
Short term employee benefits	199 864	138 991
	<b>199 864</b>	<b>138 991</b>

The outstanding balances and average interest rates as at 30 September 2012 and 31 December 2011 for transactions with the members of the Board of Directors and the Management Board are as follows:

	30 September 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	103	25.24%	6 748	13.16%
Other assets	-	-	7	-
<b>LIABILITIES</b>				
Current accounts and deposits from customers	101 206	10.02%	65 974	9.30%
Other liabilities	5 895	-	117	-

Amounts included in consolidated interim condensed statement of comprehensive income in relation to transactions with the members of the Board of Directors and the Management Board for the 9 months ended 30 September are as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Consolidated interim condensed statement of comprehensive income</b>		
Interest expense	(4 340)	(657)

### (c) Transactions with shareholders

The outstanding balances and average interest rates as at 30 September 2012 and 31 December 2011 for transactions with shareholders:

	30 September 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Other assets	-	-	41	-
<b>LIABILITIES</b>				
Deposits and balances from banks	285 122	14.58%	332 920	14.54%
Current accounts and deposits	63 806	11.20%	380 120	11.07%

Amounts included in consolidated statement of comprehensive income in relation to transactions with shareholders for the 9 months ended 30 September are as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Consolidated interim condensed statement of comprehensive income</b>		
Interest expense	(37 885)	(41 442)

During the 9 months ended 30 September 2012 and 30 September 2011 the Group made a cash distribution to shareholders in the amount of RUB 450 000 thousand and RUB 12 150 thousand appropriately.

**(d) Transactions with Banking Holding Group**

The Group is part of a holding group (the "Banking Holding Group") which as at 30 September 2012 and 31 December 2011 includes VMHY Holding, the parent company of LLC "PPFIN Region".

The outstanding balances and average interest rates as at 30 September 2012 and 31 December 2011 for transactions with the Banking Holding Group are as follows:

	30 September 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
<b>Consolidated interim condensed statement of financial position</b>				
<b>LIABILITIES</b>				
Current accounts and deposits	40 146	14.50%	140 185	13.00%

Amounts included in consolidated statement of comprehensive income in relation to transactions with the Banking Holding Group for the 9 months ended 30 September are as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Consolidated interim condensed statement of comprehensive income</b>		
Interest income	-	2 209
Interest expense	(4 527)	(277)
Impairment loss recovery	-	3 280

**(e) Transactions with other related parties**

The outstanding balances and average interest rates as at 30 September 2012 and 31 December 2011 for transactions with other related parties are as follows:

	30 September 2012 RUB'000	Average interest rate, %	31 December 2011 RUB'000	Average interest rate, %
<b>Consolidated interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Due from banks	1 885	-	5 931	-
Loans to customers	860 222	11.63%	955 812	10.69%
Other assets	-	-	2 855	-
<b>LIABILITIES</b>				
Deposits and balances from banks	150 149	12.06%	44	-
Current accounts and deposits from customers	915 610	6.45%	817 334	6.48%
Debt securities issued	479 049	9.61%	-	-
Other liabilities	-	-	349	-
<b>Commitments</b>				
Guarantees and letters of credit	31 332	-	36 123	-
Undrawn loan commitments and overdraft	492 741	-	500	-



Amounts included in consolidated interim condensed statement of comprehensive income in relation to transactions with other related parties for the 9 months ended 30 September are as follows:

	30 September 2012 RUB'000	30 September 2011 RUB'000
<b>Consolidated interim condensed statement of comprehensive income</b>		
Interest income	74 302	6 820
Interest expense	(61 410)	(8 631)
Impairment loss recovery	2 578	2 744

## 32 Events after the reporting date

Board of Directors of the Bank held on 27 September 2012 approved four bond issues of the Bank in the total nominal amount RUB 10 000 000 thousand maturing in 3 years (RUB 1 000 per each bond).

Board of Directors of the Bank held on 18 September 2012 approved issue of 700 271 681 780 696 ordinary shares of the Bank with RUB 0.000000112 par value in the total nominal amount RUB 78 430 thousand.

In November 2012 the Bank attracted subordinated loan in the amount USD 30 mln from one of the Bank's shareholders - IFC. The loan with interest rate 10.92% is matured on 16 December 2019.