

Open joint stock company

“Asian-Pacific Bank”

**Consolidated Financial Statements
for the 3 months ended 31 March 2011**

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	Notes	31 March 2011 RUB'000 unaudited	31 March 2010 RUB'000 unaudited
Interest income	4	1 564 072	652 162
Interest expense	4	(608 750)	(411 399)
Net interest income		955 322	240 763
Fee and commission income	5	182 307	231 130
Fee and commission expense		(27 027)	(9 423)
Net fee and commission income		155 280	221 707
Net gain on financial instruments at fair value through profit or loss		10 880	118 736
Net foreign exchange income	6	37 692	22 185
Net gain on operations with precious metals		1 159	516
Other operating income	7	51 218	63 042
Operating income		1 211 551	666 949
Impairment losses	8	(202 302)	(207 071)
Personnel expenses	9	(466 772)	(181 303)
Other general administrative expenses	10	(161 754)	(103 063)
Profit before income tax		380 723	175 512
Income tax expense	11	(132 013)	64 930
Profit for the period		248 710	240 442
Total comprehensive income		248 710	240 442

The consolidated interim condensed financial statements as set out on pages 3 to 29 were approved by the Management board on 20 June 2011.

Mr. E.V. Aksenov
Chairman of the Board



Mr. O.V. Marichenko
Chief Accountant

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Financial Position as at 31 March 2011

		31 March 2011	31 December 2010
		RUB'000	RUB'000
	Notes	unaudited	
ASSETS			
Cash		843 434	1 125 962
Placements with the Central Bank	12	4 151 537	2 817 189
Financial instruments at fair value through profit or loss	13	7 390 819	7 387 175
Available-for-sale financial assets	14	53 898	98 150
Due from banks	15	1 934 823	1 437 200
Amounts receivable under reverse repurchase agreements	16	4 249 898	5 726 883
Loans to customers	17	23 245 897	20 315 830
Net investments in finance leases	18	689 691	582 577
Current tax asset		23 407	23 456
Deferred tax asset	11	8 183	13 509
Property, equipment and intangible assets	19	2 046 724	1 891 758
Other assets	20	552 724	361 022
Total assets		45 191 035	41 780 711
LIABILITIES			
Derivative financial instruments	13	-	950
Deposits and balances from banks	21	1 824 308	1 722 893
Current accounts and deposits from customers	22	35 381 573	32 322 052
Promissory notes		1 498 455	1 518 137
Subordinated borrowings	23	146 000	156 610
Current tax liability		45 987	184 750
Deferred tax liability	11	223 556	214 467
Other liabilities	24	329 030	167 436
Total liabilities		39 448 909	36 287 295
EQUITY			
Share capital		562 312	562 312
Share premium		1 192 723	1 192 723
Retained earnings		3 987 091	3 738 381
Total equity		5 742 126	5 493 416
Total liabilities and equity		45 191 035	41 780 711

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

OJSC “Asian-Pacific Bank”
Consolidated Interim Condensed Statement of Cash Flows for the 3 months ended 31 March 2011

	31 March 2011	31 March 2010
	RUB'000	RUB'000
Notes	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1 465 609	706 277
Interest payments	(503 914)	(196 799)
Fee and commission receipts	174 054	231 130
Fee and commission payments	(31 994)	(9 423)
Net receipts from financial instruments at fair value through profit or loss	(2 457)	48 810
Net receipts from foreign exchange	(722)	47 050
Other income receipts	51 218	63 118
Net gain on results with precious metals	1 159	516
Other general administrative expenses payments	(611 734)	(276 801)
(Increase) decrease in operating assets		
Obligatory reserves with the CBR	(622 285)	(20 296)
Financial instruments at fair value through profit or loss	9 693	(3 115 907)
Available-for-sale financial assets	44 252	-
Placements with banks	149 071	74 380
Amounts receivable under reverse repurchase agreements	1 476 985	62 879
Loans to customers	(3 148 923)	(535 910)
Net investments in finance leases	(105 957)	-
Other assets	(197 118)	516 372
Increase (decrease) in operating liabilities		
Deposits from banks	101 414	430 673
Current accounts and deposits from customers	2 964 872	659 962
Promissory notes	(40 479)	(78 968)
Other liabilities	178 906	38 891
Net cash provided from (used in) operating activities before income tax paid	1 351 650	(1 354 046)
Income tax paid	(241 896)	(22 738)
Cash flows from (used in) operations	1 109 754	(1 376 784)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(74 658)	(52 495)
Cash flows used in investing activities	(74 658)	(52 495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to shareholders	-	(12 000)
Cash flows used in financing activities	-	(12 000)
Net increase (decrease) in cash and cash equivalents	1 035 096	(1 441 279)
Effect of changes in exchange rates on cash and cash equivalents	41 133	(25 028)
Cash and cash equivalents as at the beginning of the period	4 877 516	3 730 612
Cash and cash equivalents as at the end of the period	5 953 745	2 264 305

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.

RUB'000

	Share capital	Share premium	Retained earnings	Total equity
Balance as at 1 January 2010	395 522	1 192 723	1 006 553	2 594 798
Total comprehensive income				
Profit for the period	-	-	240 442	240 442
Total comprehensive income for the period	-	-	240 442	240 442
Transactions with owners, recorded directly in equity				
Distribution to shareholders	-	-	(12 000)	(12 000)
Total transactions with owners	-	-	(12 000)	(12 000)
Balance as at 31 March 2010	395 522	1 192 723	1 234 995	2 823 240
Balance as at 1 January 2011	562 312	1 192 723	3 738 381	5 493 416
Total comprehensive income				
Profit for the period	-	-	248 710	248 710
Total comprehensive income for the period	-	-	248 710	248 710
Transactions with owners, recorded directly in equity				
	-	-	-	-
Balance as at 31 March 2011	562 312	1 192 723	3 987 091	5 742 126

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 166 branches from which it conducts business throughout the Russian Federation including Head office, 9 regional branches, 106 additional offices, 48 operational offices and 2 operational cash box. The registered address of the head-office is Blagoveshensk, 675000, Amurskaya Street, 225. The majority of the assets and liabilities are located in the Russian Federation.

As of 31 March 2011 the following shareholders held the issued shares of Open Joint Stock Company “Asian-Pacific Bank”:

Shareholder	31 March 2011 %	31 December 2010 %
LLC “PPFIN Region” (Russian Federation)	67.59	67.59
East Capital Explorer Financial Institutions Fund AB (Sweden)	17.91	17.91
International Financial Corporation (Russian Federation)	6.99	6.99
Aksenov E.V.	5.21	5.21
Others	2.30	2.30
Total:	100.00	100.00

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			31 March 2011	31 December 2010
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 5 branches (31 December 2010: 5) including 1 regional branch and 4 separate offices.

Business environment

Russian business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment. These consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

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

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. As a result, they do not include all of the information required by IFRS for a complete set of financial statements. Operating results for the three month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011.

These consolidated interim condensed financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2010.

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 measured at fair value.

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.

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 2010, except for the changes resulting from the amendments to IFRS.

4 Interest income and expense

	31 March 2011 RUB'000	31 March 2010 RUB'000
Interest income		
Loans to customers	1 294 229	534 561
Financial instruments at fair value through profit or loss	149 878	101 353
Loans and advances to banks	68 745	15 785
Net investment in finance leases	50 838	-
Available-for-sale financial assets	352	167
Cash	30	296
	1 564 072	652 162
Interest expense		
Current accounts and deposits from customers	550 356	389 081
Deposits and balances from banks	26 952	16 789
Promissory notes	27 507	1 472
Subordinated borrowings	3 935	4 057
	608 750	411 399

5 Fee and commission income

	31 March 2011 RUB'000	31 March 2010 RUB'000
Settlement fees	129 678	148 255
Guarantee and letter of credit issuance	16 352	9 070
Accounts opening and maintenance	16 134	6 025
Other	20 143	67 780
	182 307	231 130

6 Net foreign exchange income

	31 March 2011 RUB'000	31 March 2010 RUB'000
Gain (loss) on spot transactions and derivatives	(3 441)	13 166
Gain from revaluation of financial assets and liabilities	41 133	9 019
	37 692	22 185

7 Other operating income

	31 March 2011 RUB'000	31 March 2010 RUB'000
Penalties on loans issued	33 710	36 708
Rental income	7 258	3 877
Income from trust management	3 677	-
Other income	6 573	22 457
	51 218	63 042

8 Impairment loss

	31 March 2011 RUB'000	31 March 2010 RUB'000
Loans to customers	(203 459)	(214 384)
Net investments in finance leases	1 157	-
Other assets	-	7 313
	(202 302)	(207 071)

9 Personnel expenses

	31 March 2011 RUB'000	31 March 2010 RUB'000
Employee compensation	379 041	139 223
Payroll related taxes	87 731	42 080
	466 772	181 303

10 Other general administrative expenses

	31 March 2011 RUB'000	31 March 2010 RUB'000
Taxes other than on income	11 514	10 865
Depreciation and amortization	33 552	22 705
Repairs and maintenance	18 941	8 322
Rent	14 562	9 216
Write-off of materials and loss on disposals of assets	15 336	6 948
Communications and information services	9 161	3 276
Insurance	20 447	10 203
Advertising and marketing	5 291	4 867
Security	7 533	5 811
Travel expenses	4 237	3 567
Fines and penalties	1 472	1 960
Professional services	47	-
Other	19 661	15 323
	161 754	103 063

11 Income tax expense

	31 March 2011 RUB'000	31 March 2010 RUB'000
Current tax expense (income)		
Current year	117 597	14 121
Origination and reversal of temporary differences	14 416	(79 051)
Total income tax expense (income)	132 013	(64 930)

During 3 months ended 31 March 2011 applicable tax rate for current and deferred tax is 20% (31 March 2010: 20%).

Reconciliation of effective tax rate

	31 March 2011 RUB'000	%	31 March 2010 RUB'000	%
Profit before tax	380 723		175 512	
Income tax at the applicable tax rate	76 145	20.0%	35 102	20.0%
Non-deductible costs	56 120	14.8%	(99 624)	(56.8%)
Income taxed at lower tax rates	(252)	(0.1%)	(408)	(0.2%)
	132 013	34.7%	(64 930)	(37.0%)

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 31 March 2011 and 31 December 2010. Net deferred tax liabilities have been recognised in these consolidated interim condensed financial statements.

Movements in temporary differences during the 3 months ended 31 March 2011 and 31 March 2010 are presented as follows:

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

31 March 2010

RUB'000	<u>Balance 1 January 2010</u>	<u>Recognised in profit or loss</u>	<u>Balance 31 March 2010</u>
Financial instruments at fair value through profit or loss	3 138	(3 138)	-
Derivative financial instruments	360	(360)	-
Loans to customers	(87 374)	81 752	(5 622)
Property and equipment	(84 682)	(23 137)	(107 819)
Other assets	14 261	(12 703)	1 558
Current accounts and deposits from customers	1 030	(1 030)	-
Promissory notes	(4 714)	4 714	-
Other liabilities	15 319	32 953	48 272
	<u>(142 662)</u>	<u>79 051</u>	<u>(63 611)</u>

12 Placements with the Central Bank

	<u>31 March 2011 RUB'000</u>	<u>31 December 2010 RUB'000</u>
Nostro accounts	1 707 848	1 895 727
Term deposits	1 600 000	700 058
Minimum reserve deposit	843 689	221 404
Total placements with the Central Bank	<u>4 151 537</u>	<u>2 817 189</u>

13 Financial instruments at fair value through profit or loss

	31 March 2011 RUB'000	31 December 2010 RUB'000
ASSETS		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	100 901	200 362
Regional authorities and municipal bonds	-	-
Total government and municipal bonds	100 901	200 362
- Corporate bonds		
rated from BB- to BB+	2 469 561	2 401 541
rated below B+	1 103 804	361 275
not rated	942 743	388 646
Total corporate bonds	4 516 108	3 151 462
- Promissory notes		
rated from BB- to BB+	1 764 366	2 361 941
rated below B+	724 369	1 520 089
not rated	278 641	143 401
Total promissory notes	2 767 376	4 025 431
Equity investments		
Corporate shares	6 434	6 251
Total equity investments	6 434	6 251
Derivative financial instruments		
Foreign currency contracts	-	3 669
	7 390 819	7 387 175
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	-	950
	-	950

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

The table below analyses financial instruments at fair value through profit or loss at 31 March 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	4 617 009	2 767 376	7 384 385
- Equity investments	6 434	-	6 434
	4 623 443	2 767 376	7 390 819

The table below analyses financial instruments at fair value through profit or loss at 31 December 2010, 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	3 351 824	4 025 431	7 377 255
- Equity investments	6 251	-	6 251
- Derivative assets	3 669	-	3 669
- Derivative liabilities	(950)	-	(950)
	3 360 794	4 025 431	7 386 225

14 Available-for-sale financial assets

Analysis by credit quality of securities available-for-sale outstanding at 31 March 2011 is as follows:

	31 March 2011 RUB'000	31 December 2010 RUB'000
Debt and other fixed-income instruments		
- Corporate bonds		
rated from BB- to BB+	-	46 308
rated below B+	53 898	51 842
Total corporate bonds	53 898	98 150

Available-for-sale investments comprise corporate bonds under trust management and corporate bonds in the investment industry.

Available-for-sale financial assets at 31 March 2011 and 31 December 2010 are allocated to the level 1 in the fair value hierarchy into which the fair value measurement is categorised.

15 Due from banks

	31 March 2011 RUB'000	31 December 2010 RUB'000
Nostro accounts		
- Other Russian banks	105 698	224 702
- OECD banks	729 053	121 733
- Other foreign banks	36 771	22 414
- Largest 30 Russian banks	10 357	5 539
Total nostro accounts	881 879	374 388
Term deposits		
- OECD banks	209 981	785 591
- Largest 30 Russian banks	400 000	180 000
- Other Russian banks	442 963	97 221
Total term deposits	1 052 944	1 062 812
	1 934 823	1 437 200

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

16 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repo agreements showing individual types of securities received as collateral under repo agreements outstanding as at 31 March 2011:

	Corporate bonds	Government and municipal bonds	Total
Amounts receivable under reverse repurchase agreements			
- Other Russian banks	1 448 554	2 125 316	3 573 870
- Other financial institutions	584 787	91 241	676 028
- Largest 30 Russian banks	-	-	-
	2 033 341	2 216 557	4 249 898

The table below sets out receivables under reverse repo agreements showing individual types of securities received as collateral under repo agreements outstanding as at 31 December 2010:

	Corporate bonds	Municipal bonds	Total
Amounts receivable under reverse repurchase agreements			
- Other Russian banks	3 735 751	762 369	4 498 120
- Other financial institutions	698 950	90 860	789 810
- Largest 30 Russian banks	398 953	40 000	438 953
	4 833 654	893 229	5 726 883

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

17 Loans to customers

	31 March 2011 RUB'000	31 December 2010 RUB'000
Loans to corporate customers	10 520 066	8 953 023
Loans to retail customers		
Consumer loans	12 993 096	11 679 377
Mortgage loans	1 605 997	1 483 422
Total loans to retail customers	14 599 093	13 162 799
Gross loans to customers	25 119 159	22 115 822
Impairment allowance	(1 873 262)	(1 799 992)
Net loans to customers	23 245 897	20 315 830

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

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

Movements in the loan impairment allowance by classes of loans to customers for the 3 months ended 31 March 2010 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at 1 January 2010	558 176	1 373 894	1 932 070
Net charge	(23 352)	237 736	214 384
Write-offs	-	(15 775)	(15 775)
Balance at 31 March 2010	534 824	1 595 855	2 130 679

Credit quality of loans to customers

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans without individual signs of impairment	7 896 450	(165 233)	7 731 217	2.09%
Watch list loans	2 337 026	(48 902)	2 288 124	2.09%
Impaired loans:				
- not overdue	118 865	(11 945)	106 920	10.05%
- overdue less than 90 days	22 458	(3 881)	18 577	17.28%
- overdue more than 90 days and less than 1 year	36 837	(16 286)	106 920	44.21%
- overdue more than 1 year	108 430	(61 567)	46 863	56.78%
Total impaired loans	286 590	(93 679)	192 911	32.69%
Total loans to corporate customers	10 520 066	(307 814)	10 212 251	2.93%
Loans to retail customers				
Consumer loans				
- not overdue	10 553 911	(48 829)	10 505 082	0.46%
- overdue less than 30 days	244 632	(18 436)	226 196	7.54%
- overdue 30-89 days	183 575	(54 474)	129 101	29.67%
- overdue 90-179 days	153 070	(74 013)	79 057	48.35%
- overdue more than 180 days	1 857 908	(1 331 151)	526 757	71.65%
Total consumer loans	12 993 096	(1 526 903)	11 466 193	11.75%
Mortgage loans				
- not overdue	1 546 095	(1 911)	1 544 184	0.12%
- overdue less than 30 days	5 703	(807)	4 896	14.15%
- overdue 30-89 days	7 851	(1 496)	6 355	19.05%
- overdue 90-179 days	6 745	(3 336)	3 409	49.46%
- overdue more than 180 days	39 603	(30 994)	8 609	78.26%
Total mortgage loans	1 605 997	(38 544)	1 567 453	2.40%
Total loans to retail customers	14 599 093	(1 565 447)	13 033 646	10.72%
Total loans to customers	25 119 159	(1 873 262)	23 245 897	7.46%

The following table provides information on the credit quality of loans to customers as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	RUB'000	RUB'000	RUB'000	%
Loans to corporate customers				
Loans without individual signs of impairment	7 086 605	(148 292)	6 938 313	2.09%
Watch list loans	1 324 770	(27 722)	1 297 048	2.09%
Impaired loans:				
- not overdue	227 987	(26 741)	201 246	11.73%
- overdue less than 90 days	141	(141)	-	100.00%
- overdue more than 90 days and less than 1 year	62 439	(16 961)	45 478	27.16%
- overdue more than 1 year	251 081	(76 976)	174 105	30.66%
Total impaired loans	541 648	(120 819)	420 829	22.31%
Total loans to corporate customers	8 953 023	(296 833)	8 656 190	3.32%
Loans to retail customers				
Consumer loans				
- not overdue	9 391 592	(44 030)	9 347 562	0.47%
- overdue less than 30 days	175 254	(13 229)	162 025	7.55%
- overdue 30-89 days	138 001	(40 331)	97 670	29.23%
- overdue 90-179 days	222 739	(116 679)	106 060	52.38%
- overdue more than 180 days	1 751 791	(1 256 146)	495 645	71.71%
Total consumer loans	11 679 377	(1 470 415)	10 208 962	12.59%
Mortgage loans				
- not overdue	1 429 805	(1 767)	1 428 038	0.12%
- overdue less than 30 days	3 917	(327)	3 590	8.35%
- overdue 30-89 days	10 503	(1 605)	8 898	15.28%
- overdue 90-179 days	4 488	(2 478)	2 010	55.21%
- overdue more than 180 days	34 709	(26 567)	8 142	76.54%
Total mortgage loans	1 483 422	(32 744)	1 450 678	2.21%
Total loans to retail customers	13 162 799	(1 503 159)	11 659 640	11.42%
Total loans to customers	22 115 822	(1 799 992)	20 315 830	8.14%

18 Net investments in finance leases

Net investments in finance leases as of 31 March 2011 comprise:

	31 March 2011 RUB'000	31 December 2010 RUB'000
Gross investments in finance leases	1 131 572	885 766
Less unearned finance lease income	(402 385)	(262 536)
	729 187	623 230
Less allowance for impairment	(39 496)	(40 653)
Net investments in finance leases	689 691	582 577

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

Future minimum lease payments to be received following 31 March 2011 are disclosed below:

	31 March 2011 RUB'000	31 December 2010 RUB'000
Within 1 year	419 505	357 759
From 1 to 5 years	675 314	490 887
More than 5 years	36 753	37 120
Minimum lease payments receivable	1 131 572	885 766

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

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

Notes to and forming part of, the consolidated interim condensed financial statements for the 3 months ended 31 March 2011

19 Property, equipment and intangible assets

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

Notes to and forming part of, the consolidated interim condensed financial statements for the 3 months ended 31 March 2011

RUB'000	Land and buildings	Leasehold improvements	Computers and equipment	Fixtures and fittings	Vehicles	Intangible assets	Construction in progress	Total
Cost								
Balance at 1 January 2010	1 233 431	33 053	196 480	180 814	11 059	89 247	99 036	1 843 120
Additions	16 194	-	50 150	15 214	2 373	20 120	-	104 051
Disposals	-	-	-	-	-	-	-	-
At 31 March 2010	1 249 625	33 053	246 630	196 028	13 432	109 367	99 036	1 947 171
Depreciation and impairment losses								
Balance at 1 January 2010	95 039	3 031	99 678	152 815	5 369	12 278	-	368 210
Depreciation for the period	6 370	27	11 755	196	939	3 418	-	22 705
Disposals	-	-	-	-	-	-	-	-
Balance at 31 March 2010	101 409	3 058	111 433	153 011	6 308	15 696	-	390 915
Carrying amounts								
At 31 March 2010	1 148 216	29 995	135 197	43 017	7 124	93 671	99 036	1 556 256
At 1 January 2010	1 138 392	30 022	96 802	27 999	5 690	76 969	99 036	1 474 910

20 Other assets

	31 March 2011 RUB'000	31 December 2010 RUB'000
Other receivables	105 832	91 393
Impairment allowance	-	-
Total other financial assets	105 832	91 393
Prepayments	219 300	115 457
Finance lease prepayments	151 213	95 645
Materials and supplies	10 300	14 713
Other	66 079	43 814
Impairment allowance	-	-
Total other non-financial assets	446 892	269 629
Total other assets	552 724	361 022

Analysis of movements in the impairment allowance

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

	Other financial assets RUB'000	Other non- financial assets RUB'000	Total RUB'000
Balance at 1 January 2011	-	-	-
Net charge (recovery)	-	-	-
Balance at 31 March 2011	-	-	-

Movements in the impairment allowance for the 3 months ended 31 March 2010 are as follows:

	Other financial assets RUB'000	Other non- financial assets RUB'000	Total RUB'000
Balance at 1 January 2010	5 899	9 206	15 105
Net charge (recovery)	1 893	(9 206)	(7 313)
Balance at 31 March 2010	7 792	-	7 792

21 Deposits and balances from banks

	31 March 2011 RUB'000	31 December 2010 RUB'000
Vostro accounts	34 962	26 550
Term deposits	1 789 346	1 696 343
	1 824 308	1 722 893

Covenants

As at 31 March 2011, the Group has a term deposit amounting to RUB 1 001 755 thousand that is repayable on 23 December 2013 (31 December 2010: RUB 1 001 545 thousand). According to the terms of the agreement, the Group is subject to a debt covenant stating that funds should be spent on loans issuing to small and medium size entities. The Bank should comply all ratios of CBR and the N1 ratio should be not less than 10.1%.

As at 31 March 2011, the Group has term deposits amounting to RUB 428 506 thousand that are repayable on 16 February 2015 (31 December 2010: RUB 427 358 thousand). According to the terms of agreement, the Group is subject to a debt covenant stating that funds should be used for issuing 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.

22 Current accounts and deposits from customers

	31 March 2011	31 December 2010
	RUB'000	RUB'000
Current accounts and demand deposits		
- Retail	2 610 887	2 335 274
- Corporate	8 313 174	7 228 868
Term deposits		
- Retail	19 824 469	18 432 463
- Corporate	4 633 043	4 325 447
	35 381 573	32 322 052

23 Subordinated borrowings

	31 March 2011	31 December 2010
	RUB'000	RUB'000
Subordinated deposit	146 000	156 610
	146 000	156 610

As at 31 March 2011 subordinated borrowings comprise loans received from a related party maturing in 2011 (31 December 2010: 2011) and carry an annual interest rate of 11% (31 December 2010: 11%). In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Group.

24 Other liabilities

	31 March 2011	31 December 2010
	RUB'000	RUB'000
Settlements with creditors	76 941	71 489
Settlements with employees	215 238	50 589
Provision for guarantees and letters of credit issued	31 891	40 237
Other taxes payable	4 588	1 617
Other non-financial liabilities	372	3 504
	329 030	167 436

25 Earnings per share

	<u>31 March 2011</u> RUB	<u>31 March 2010</u> RUB
Earnings per share	0,0000000502	0,0000000695
Basic earnings per share		

The calculation of basic earnings per share as at 31 March 2011 and 31 March 2010 is based on the profit attributable to ordinary shareholders of RUB 248 710 thousand (31 March 2010: RUB 240 442 thousand), and a weighted average number of ordinary shares outstanding of 4 949 019 820 939 000 (31 March 2010: 3 459 821 429 500 000).

26 Analysis by segment

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

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:

	<u>31 March 2011</u> RUB'000	<u>31 December 2010</u> RUB'000
ASSETS		
Far East region	20 592 843	18 128 717
Siberia region	7 206 589	6 008 999
Moscow	16 722 881	17 185 155
Total assets	44 522 313	41 322 871
LIABILITIES		
Far East region	29 704 118	27 217 689
Siberia region	4 265 491	4 126 781
Moscow	4 760 299	4 146 226
Total liabilities	38 729 908	35 490 696

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

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

Segment information for the main reportable business segments for on profit and losses for the 3 months ended 31 March 2010 is set below:

RUB'000	Far East region	Siberia region	Moscow	Total
External interest income	346 339	170 417	169 554	686 310
Fee and commission income	149 040	68 379	10 079	227 498
Net gain on other financial instruments at fair value through profit or loss	14 043	-	107 890	121 933
Net foreign exchange income	12 000	5 683	5 023	22 706
Net gain on available-for-sale financial assets	-	-	-	-
Other operating income	29 123	9 363	585	39 071
Revenue	550 545	253 842	293 131	1 097 518
Impairment losses (recovery)	(198 833)	56 930	307 819	165 916
Interest expense	102 223	95 754	213 497	411 474
Fee and commission expense	3 417	1 391	587	5 395
Other general administrative expenses	253 260	77 576	17 330	348 166
Segment result	390 478	22 191	(246 102)	166 567
Income tax expense				453
Net profit after taxes				166 114

Reconciliations of reportable segment profit or loss

	31 March 2011 RUB'000	31 March 2010 RUB'000
Profit or loss		
Total profit or loss for reportable segments	164 080	116 114
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	68 810	(40 598)
- allowance for impairment	9 754	(41 154)
- depreciation and amortisation of property and equipment and intangible assets	1 188	23 137
- other adjustments	4 878	182 943
Consolidated profit or loss	248 710	240 442

27 Commitments

	31 March 2011 RUB'000	31 December 2010 RUB'000
Guarantees and letters of credit	2 440 292	3 022 568
Undrawn overdraft facilities	971 582	1 231 094
Loan and credit line commitments	717 049	705 650
	4 128 923	4 959 312

28 Cash and cash equivalents

	31 March 2011 RUB'000	31 December 2010 RUB'000
Cash on hand	843 434	1 125 962
Nostro accounts with the CBR	1 707 848	1 895 727
Nostro accounts with other banks		
- Other Russian banks	105 698	224 702
- OECD banks	729 053	121 733
- Other foreign banks	36 771	22 414
- Largest 30 Russian banks	10 357	5 539
Total nostro accounts with other banks	881 879	374 388
- Term deposits with the CBR	1 600 000	700 058
- Term deposits with other banks		
- OECD banks	170 584	601 381
- Largest 30 Russian banks	400 000	180 000
- Other Russian banks	350 000	-
Total term deposits with other banks	920 584	781 381
Total cash and cash equivalents	5 953 745	4 877 516

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

29 Related party transactions

(a) Control relationships

The Group's parent company is LLC "PPFIN Region" (Russian Federation). As of 31 March 2011, the ultimate beneficial owners of the Group were Mr. Andrey Vdovin (the owner of 16.8975%), Mr. Kirill Yakubovsky (the owner of 16.8975%), Mr. Pavel Maslovsky (the owner of 16.8975%), Mr. Peter Hambro (the owner of 16.8975%), East Capital Explorer Financial Institution Fund (Sweden) (the owner of 17.91%), International Finance Corporation (6.99%) and Mr. Evgeniy Aksenov (the owner of 5.21%).

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

Total remuneration included in personnel expenses for the 3 months ended 31 March 2011 and 2010 is as follows:

	31 March 2011 RUB'000	31 March 2010 RUB'000
Short term employee benefits	16 725	15 416
	16 725	15 416

The outstanding balances and average interest rates as at 31 March 2011 and 31 December 2010 for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 March 2011 RUB'000	Average interest rate, %	31 December 2010 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits	11 530	8,31%	20 669	10,97%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the 3 months ended 31 March are as follows:

	31 March 2011 RUB'000	31 March 2010 RUB'000
Profit or loss		
Interest income	-	62
Interest expense	(185)	(5 573)
Commission income	-	4

(d) Transactions with shareholders

The outstanding balances and average interest rates as at 31 March 2011 and 31 December 2010 for transactions with shareholders:

	31 March 2011 RUB'000	Average interest rate, %	31 December 2010 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits	464 695	12,92%	471 000	12,92%

Amounts included in profit or loss in relation to transactions with shareholders for the 3 months ended 31 March are as follows:

	31 March 2011 RUB'000	31 March 2010 RUB'000
Profit or loss		
Interest expense	(14 996)	(22 177)

During the 3 months ended 31 March 2010 the Group made a cash distribution to shareholders in the amount of RUB 12 000 thousand. No distribution was made in the 3 months ended 31 March 2011.

(e) Transactions with Banking Holding Group

The Group is part of a holding group (the "Banking Holding Group") which as at 31 March 2011 and 31 December 2010 includes VMHY Holding, the parent company of LLC "PPFIN Region".

The outstanding balances and average interest rates as at 31 March 2011 and 31 December 2010 for transactions with the Banking Holding Group are as follows:

	31 March 2011 RUB'000	Average interest rate, %	31 December 2010 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	-	-	155 000	13%
LIABILITIES				
Current accounts and deposits	848 553	-	2	-

Amounts included in profit or loss in relation to transactions with the Banking Holding Group for the 3 months ended 31 March are as follows:

	31 March 2011 RUB'000	31 March 2010 RUB'000
Profit or loss		
Interest income	2 209	6 746
Impairment recovery	3 280	-

(f) Transactions with other related parties

The outstanding balances and average interest rates as at 31 March 2011 and 31 December 2010 for transactions with other related parties are as follows:

	31 March 2011 RUB'000	Average interest rate, %	31 December 2010 RUB'000	Average interest rate, %
Consolidated interim condensed statement of financial position				
ASSETS				
Placements with banks	2 751	-	1 545	-
Loans to customers	254 013	12.25%	223 091	12.25%
LIABILITIES				
Deposits and balances from banks	79 042	15.00%	80 338	15.00%
Current accounts and deposits	392 166	4.89%	220 949	4.70%
Subordinated debt	146 000	11.00%	156 610	11.00%

Amounts included in profit or loss in relation to transactions with other related parties for the 3 months ended 31 March are as follows:

	31 March 2011 RUB'000	31 March 2010 RUB'000
Profit or loss		
Interest income	5 353	14 550
Interest expense	(8 063)	(10 563)
Impairment loss	(8 390)	(6 050)