

Open Joint-Stock Company “NOMOS-BANK”

**Condensed Interim Consolidated
Financial Statements (Unaudited)**
For the Three Months Ended 31 March 2012

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OPEN JOINT-STOCK COMPANY "NOMOS-BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 31 March 2012 and the results of its operations, cash flows and changes in shareholders' equity for the three months then ended, in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*.

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation ("RF") legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the three months ended 31 March 2012 were authorized for issue by the Supervisory Board of the Bank on 29 May 2012.

On behalf of the Supervisory Board

President
29 May 2012
Moscow



Chief Accountant
29 May 2012
Moscow

INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: Shareholders and the Supervisory Board of Open Joint-Stock Company "NOMOS-BANK":

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group"), which comprises the condensed interim consolidated statement of financial position as at 31 March 2012, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity and the condensed interim consolidated statement of cash flows for the three months ended 31 March 2012, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information* performed by the Independent Auditor of the Entity. A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared in all material respects, in accordance with IAS 34.



29 May 2012
Moscow

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)**
(in million of Russian Roubles)

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
Interest income	5,24	14,799	11,798
Interest expense	5,24	(7,493)	(5,627)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	5	7,306	6,171
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	3,24 12,14,	426	1,643
Provision for impairment losses on interest bearing assets	24	(1,357)	(2,191)
NET INTEREST INCOME		6,375	5,623
Trading income:	6,24	1,397	906
Securities		914	432
Foreign currency		382	117
Precious metals		103	294
Other derivatives		(2)	63
Net fee and commission income	7,24	1,678	1,139
Fee and commission income	7,24	2,279	1,370
Fee and commission expense	7,24	(601)	(231)
Net loss on investments available-for-sale		(2)	(25)
Net gain on disposal of loans	12	84	61
(Provision) / recovery of provision for impairment losses on other transactions		(10)	104
Impairment of investments available-for-sale		-	(21)
Loss from revaluation of investment property		(6)	(164)
Other income	24	249	56
NET NON-INTEREST INCOME		3,390	2,056
OPERATING INCOME		9,765	7,679
OPERATING EXPENSES	8,24	(4,600)	(3,579)
OPERATING PROFIT BEFORE INCOME TAX		5,165	4,100
Income tax expense		(1,117)	(859)
NET PROFIT		4,048	3,241
Attributable to:			
Equity holders of the parent		3,218	2,551
Non-controlling interest		830	690
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles	9	34.82	28.92

On behalf of the Supervisory Board

President

29 May 2012
Moscow



Chief Accountant

29 May 2012
Moscow

The selected notes on pages 9-45 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)**
(in million of Russian Roubles)

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
NET PROFIT		4,048	3,241
OTHER COMPREHENSIVE INCOME			
Net change in fair value of investments available-for-sale reserve:		351	(137)
Income tax effect		(70)	27
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		281	(110)
TOTAL COMPREHENSIVE INCOME		4,329	3,131
Attributable to:			
Equity holders of the parent		3,397	2,441
Non-controlling interest		932	690

On behalf of the Supervisory Board

President

29 May 2012
Moscow



Chief Accountant

29 May 2012
Moscow

The selected notes on pages 9-45 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012 (UNAUDITED)
(in million of Russian Roubles)**

	Notes	31 March 2012	31 December 2011
ASSETS			
Cash and balances with the Central Bank of the Russian Federation		22,430	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation		6,339	6,124
Precious metals		6,701	9,398
Financial assets at fair value through profit or loss	10,24	73,664	77,969
Loans and advances to banks and other financial institutions	11,24	80,063	53,691
Loans to customers	12,24	450,149	447,905
Investments available-for-sale	13,24	8,172	9,690
Investments held to maturity	14	559	548
Property, plant and equipment		10,959	10,990
Goodwill		809	809
Intangible assets		2,491	2,627
Investment property		3,925	3,759
Other assets	24	4,080	4,675
TOTAL ASSETS		670,341	662,144
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	24	4,171	4,525
Due to banks and the Central Bank of the Russian Federation	15,24	105,172	106,647
Customer accounts	16,24	380,926	382,445
Bonds and Eurobonds	17	38,184	40,266
Promissory notes issued		27,965	18,907
Deferred income tax liabilities		2,388	2,885
Other liabilities	24	5,113	3,394
Subordinated debt	18,24	26,383	27,365
TOTAL LIABILITIES		590,302	586,434
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	19	6,504	6,504
Preference treasury shares	19	(605)	(605)
Share premium	19	20,898	20,898
Property, plant and equipment revaluation reserve		1,073	1,073
Revaluation of investments available-for-sale		144	(35)
Retained earnings		37,680	34,462
Total equity attributable to equity holders of the parent		65,694	62,297
Non-controlling interest		14,345	13,413
Total equity		80,039	75,710
TOTAL LIABILITIES AND EQUITY		670,341	662,144

On behalf of the Supervisory Board

President

29 May 2012
Moscow



Chief Accountant

29 May 2012
Moscow

The selected notes on pages 9-45 form an integral part of the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2011 (UNAUDITED)
(in million of Russian Roubles)

Note	Share capital	Preference treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2010	6,225	(484)	15,859	717	6	24,560	46,883	11,052	57,935
Net profit for the period (unaudited)	-	-	-	-	-	2,551	2,551	690	3,241
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(110)	-	(110)	-	(110)
Purchase of treasury shares (unaudited)	-	(121)	-	-	-	(40)	(161)	-	(161)
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	385	385
31 March 2011 (unaudited)	6,225	(605)	15,859	717	(104)	27,071	49,163	12,127	61,290
31 December 2011	6,504	(605)	20,898	1,073	(35)	34,462	62,297	13,413	75,710
Net profit for the period (unaudited)	-	-	-	-	-	3,218	3,218	830	4,048
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	179	-	179	102	281
31 March 2012 (unaudited)	6,504	(605)	20,898	1,073	144	37,680	65,694	14,345	80,039

On behalf of the Supervisory Board

President

29 May 2012
Moscow

Chief Accountant

29 May 2012
Moscow

The selected notes on pages 9-45 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)**
(in million of Russian Roubles)

	Note	Three months ended 31 March 2012	Three months ended 31 March 2011 (restated)
Cash flows from operating activities:			
Interest received		14,313	10,910
Interest paid		(6,947)	(3,486)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		163	1,156
Cash received on dealing with securities		677	349
Cash received on dealing with precious metals		459	37
Cash received on dealing with foreign currencies		554	754
Cash paid on dealing with other derivatives		(130)	(201)
Fees and commissions received		2,289	1,370
Fees and commissions paid		(1,221)	(231)
Other operating income received		249	104
Operating expenses paid		(3,297)	(3,556)
Cash flows from operating activities before changes in operating assets and liabilities		7,109	7,206
Cash Increase/(decrease) from operating assets and liabilities			
Minimum reserve deposits with the Central Bank of the Russian Federation		(215)	(852)
Precious metals		2,412	(1,576)
Financial assets at fair value through profit or loss		5,899	3,070
Loans and advances to banks and other financial institutions		(35,161)	(11,757)
Loans to customers		(12,420)	(19,205)
Other assets		135	(2,445)
Due to banks and the Central Bank of the Russian Federation		3,110	33,039
Customer accounts		3,147	2,397
Bonds and Eurobonds, net		(1,125)	6,351
Promissory notes (redeemed)/issued, net		9,224	(1,051)
Other liabilities		389	586
Net cash (used in)/from operating activities before income tax		(17,496)	15,763
Income taxes paid		(231)	(757)
Net cash (used in)/from operating activities		(17,727)	15,006
Cash flows from investing activities:			
Acquisition of subsidiaries net of cash acquired		-	(323)
Purchase of property, plant and equipment		(239)	(302)
Proceeds from sale of property, plant and equipment		77	45
Purchase of intangible assets		(57)	(78)
Purchase of investment available-for-sale		-	(25,066)
Purchase of investment property		(175)	-
Proceeds on sale of investment property		6	-
Proceeds from sale of investment available-for-sale		1,518	11,697
Proceeds from sale of non-current assets held-for-sale		2	-
Decrease of shares of subsidiaries		-	8
Net cash from/(used in) investing activities		1,132	(14,019)
Cash flows from financing activities:			
Purchase of treasury shares		-	(161)
Redemption of bonds and Eurobonds		-	(1,693)
Raising of finance by issuing bonds and Eurobonds		476	-
Net cash from/(used) in financing activities		476	(1,854)
Effect of exchange rate changes on cash and cash equivalents		(515)	(157)
Net decrease in cash and cash equivalents		(16,634)	(1,024)
Cash and cash equivalents, beginning of the period		55,306	55,260
Cash and cash equivalents, ending of the period		38,672	54,236

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)
(in million of Russian Roubles)


During the reporting period ended 31 March 2012 the Group obtained non-cash settlement for the uncollectible loans to customers, previously originated and net assets acquired and purchase adjustments in bank acquisition. These non-cash settlements were excluded from the condensed interim consolidated cash flows and presented separately below:

Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
NON-CASH TRANSACTION:		
Loans to customers settled by means of collateral repossession	-	(1,498)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):	-	
Investment property	-	1,257
Property received as a collateral	-	241
Net assets acquired and purchase adjustments in bank acquisition	-	770

For the purpose of cash flow statement preparation condensed interim consolidated cash flows cash and cash equivalents comprise of the following components:

	31 March 2012	31 March 2011
Cash and cash equivalents:		
Cash and balances with the Central Bank of the Russian Federation	22,430	34,230
Correspondent accounts with banks	16,242	20,006
Total cash and cash equivalents	38,672	54,236


On behalf of the Supervisory Board



President

29 May 2012
 Moscow





Chief Accountant

29 May 2012
 Moscow

The selected notes on pages 9-45 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)**
(in million of Russian Roubles)

1. ORGANISATION

OJSC "NOMOS-BANK" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 31 March 2012 the Bank had 41 branches operating in the Russian Federation and 1 representative office abroad.

The accompanying condensed interim consolidated financial statements comprise the accounts of Open Joint Stock Company "NOMOS-BANK" and its subsidiaries (together the "Group"). The condensed interim consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	Notes	The Bank's ownership interest/control (*)		Type of activity
			31 March 2012 %	31 December 2011 %	
			Parent company	Parent company	
OJSC "NOMOS-BANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS Siberia"	Russian Federation		100/100	100/100	Banking activity
LLC "Inbank"	Russian Federation		74.15/74.15	74.15/74.15	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation		51.29/51.29	51.29/51.29	Banking activity
BKM Finance Limited	Ireland		(contractual agreement)	(contractual agreement)	Issue of securities
LLC "Yugra-Leasing"	Russian Federation		51.29/100	51.29/100	Finance lease of equipment
LLC "Group of Project Finance"	Russian Federation		51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation		52.31/97.98	52.31/97.98	Banking activity
LLC "NM-Expert"	Russian Federation		19.90/100	19.90/100	Construction
LLC "Promgazkomplekt"	Russian Federation		100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation		100/100	100/100	Office building ownership
CJSC "Sovfintrast"	Russian Federation		100/100	100/100	Investment management
CJSC "Upravlyaushaya kompania aktivami"	Russian Federation		100/100	100/100	Asset management
Nomos Capital Plc.	Ireland		(contractual agreement)	(contractual agreement)	Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation		99.9/99.9	99.9/99.9	Investment management
LLC "Leasing-Project"	Russian Federation		100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation		100/100	100/100	Office building ownership
LLC "Baltaktiv"	Russian Federation		100/100	100/100	Wholesale commerce
LLC "Attenium"	Russian Federation		51/100	51/100	Investment management
LLC NKO "Payment System "Rapida"	Russian Federation		51/100	51/100	Payment system
LLC "Processing centre "Rapida"	Russian Federation		51/100	51/100	Processing centre
LLC "Gikor"	Russian Federation		51/100	51/100	Asset management
LLC "Upravlyaushaya kompania NOMOS BANK"	Russian Federation		100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation		100/100	100/100	Office building ownership
LLC "Nedvizhimost Primorya"	Russian Federation		100/100	100/100	Real estate rent activity
LLC "Invest-Trading"	Russian Federation		100/100	100/100	Investment management
LLC "Vostok-Capital"	Russian Federation		100/100	100/100	Investment management

(*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC “NOMOS-BANK”;
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group;

Additionally, the Group exercises 100 per cent control over the following investment funds, as contractually stipulated:

- ZPIFVI “Venchnury fond investitsionnogo i proektnogo finansirovaniya”;
- ZPIFRE “Universal – Real estate fund”;
- ZPIF “KhMB-Capital”;
- ZPIF “Strategiya Razvitiya”;

As at 31 March 2012 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group’s financial statements.

As at 31 March 2012 and 31 December 2011 the Group had 10,657 employees and 10,429 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 31 March 2012 and 31 December 2011 the Group had respectively 294 and 292 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the three months ended 31 March 2012 and 2011 is presented in Note 4.

As at 31 March 2012 and 31 December 2011 the following shareholders owned the issued shares of the Bank:

Shareholders	31 March 2012, %	31 December 2011, %
Shareholders of the Bank (Shareholders of the first level):		
“Russia Finance Corporation B.V.”	26.53	26.53
Custodian for Global Depository Receipts on London Stock Exchange*	22.77	22.70
“Vitalpeake limited”	14.29	13.21
“Lordline limited”	13.84	13.82
“Arrowzone limited”	7.95	7.95
“Viewrock limited”	5.05	0.18
“Crisandra holdings Ltd”	4.12	4.12
“Alfa Capital Holdings (Cyprus) Limited”	3.25	-
Other	2.20	11.49
Total	100.00	100.00

Shareholders	31 March 2012, %	31 December 2011, %
Ultimate shareholders of the Bank:		
Mr. Kellner P.	26.53	26.53
Custodian for Global Depository Receipts on London Stock Exchange*	22.77	22.70
Mr. Gudaytis A.A.	15.90	15.88
Mr. Nesis A.N.	14.29	13.21
Mr. Dobrinov N.I.	7.11	2.24
Mr. Finogenov I.V.	3.90	3.90
Mr. Sokolov D.V.	3.90	3.90
Mr. Petropavlovsky A.F.	0.15	0.15
Other	5.45	11.49
Total	100.00	100.00

(*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 31 March 2012 and 31 December 2011 the following company owned the outstanding preference shares of the Bank:

	31 March 2012, %	31 December 2011, %
Shareholder of treasury preference shares		
Shareholder of treasury preference shares the Bank (Shareholder of the first level): LLC "KN-Estate" (subsidiary company)	100.00	100.00
Total	100.00	100.00

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 29 May 2012.

2. BASIS OF PRESENTATION

Accounting basis

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Accordingly, it does not include all of the information required by International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the year.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

This condensed interim consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the condensed interim consolidated financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2011, except as to the changes and the new policies implemented in the period and discussed below.

Gain/loss on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination included in the condensed interim consolidated income statement for the three months ended 31 March 2012 represents (a) RUB 262 million related to the re-assessment of the expected cash flows from outstanding interest bearing assets which are mainly arising from changes in assessment of the credit quality of the underlying assets acquired and (b) RUB 164 million related to repayment on maturity and/or prepayment of loans to customers of Bank of Khanty-Mansiysk Group, a banking group acquired by Nomos in December 2010.

There were no new accounting standards adopted from 1 January 2012 which had a material impact in these condensed interim consolidated financial statements.

Change in accounting policy

In 2011 the Group has also elected to change its presentation of the condensed interim consolidated statement of cash flows from indirect method of cash flow to direct cash flow method as defined under IAS 7 *Statement of Cash Flows*. The change in the presentation enhances the ability of the user to analyze and understand the sources and uses of funds by the Group and align the presentation with the way the Group internally manages and monitors its operations. The Group results have been restated for the three months period ended 31 March 2011 to conform to the current policy.

Change in significant accounting estimates

Starting from 1 January 2012 certain refinements to the estimation of impairment allowance for loans to legal entities were adopted by the Group which improved the data used to identify the latent losses incurred in the portfolio.

Adoption of these amendments did not have a material effect on the impairment allowance for loans to legal entities. Estimation of the effect of these amendments in future periods is impracticable.

4. ACQUISITIONS AND DISPOSALS

In March 2012 the Group has founded a new investment fund ZPIF "Strategiya Razvitiya", which is wholly-owned by the Group as at 31 March 2012.

In March 2011 the Group has purchased 51% shares of LLC "Attenium" with its wholly-owned subsidiaries – LLC "PS Rapida", LLC "PC Rapida", LLC "Gikor".

The cash outflow relating to the acquisition of shares amounted to RUB 380 million. The net gain from the bargain purchase of RUB 13 million is recognized in the condensed interim consolidated income statement for the three months ended 31 March 2011. The fair value of the net assets of the company as of the acquisition date is presented below. As at 31 March, 2011 the initial accounting for a business combination incomplete accordingly the Group reported the provisional amounts representing the Group's best estimate of the acquisition date values. Those provisional amounts were adjusted as at 31 December 2011, to reflect new information obtained about facts and circumstances that existed at the acquisition date.

	LLC "Attenium" (at provisional basis)	LLC "Attenium" (adjusted)
Assets		
Cash and balances with the Central Bank of the Russian Federation	57	57
Loans and advances to banks and other financial institutions	468	468
Investments available-for-sale	3	3
Property, plant and equipment	12	12
Intangible assets	681	291
Other assets	19	24
Total assets	1,240	855
Due to banks and the Central Bank of the Russian Federation	100	100
Customer accounts	99	99
Deferred tax liabilities	-	58
Other liabilities	271	266
Total liabilities	470	523
Net assets	770	332
Parent company's ownership interest (%)	51%	51%
Parent company's ownership interest	393	169
Consideration paid	380	380
Gain from bargain purchase	13	211

5. NET INTEREST INCOME

Net interest income comprises:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Interest income comprises:		
Interest income on assets recorded at amortized cost	13,363	10,223
Interest income on assets at fair value through profit or loss	1,368	897
Interest income on investments available-for-sale	68	678
Total interest income	14,799	11,798
Interest income on assets recorded at amortized cost:		
Interest income on loans to customers	12,261	8,921
Interest income on reverse repurchase transactions	788	817
Interest income on loans and advances to banks and other financial institutions	303	460
Interest on investments held to maturity	11	25
Total interest income on assets recorded at amortized cost	13,363	10,223
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expense on customer accounts	4,670	3,326
Interest expense on due to banks and the Central Bank of the Russian Federation	856	446
Interest expense on Bonds and Eurobonds issued	741	567
Interest expense on subordinated debt	615	648
Interest expense on promissory notes issued	499	540
Interest expense on repurchase transactions	112	100
Total interest expense on financial liabilities recorded at amortized cost	7,493	5,627
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	7,306	6,171

6. TRADING INCOME

Trading income comprises:

	Three months ended 31 March 2012	Three months ended 31 March 2011
First to default credit-linked notes recognized at fair value through profit or loss	7	38
Financial assets at fair value through profit or loss	907	394
Securities	914	432
Derivatives on foreign currency contracts	1,137	1,192
Net loss on foreign currency operations	(755)	(1,075)
Foreign currency	382	117
Derivatives on precious metals contracts	575	177
Net (loss)/gain on precious metals	(472)	117
Precious metals	103	294
Other derivatives contracts	(2)	63
Other derivatives	(2)	63
Total trading income	1,397	906

The analysis of trading income is based on how the business is organised and the underlying risks managed. Trading income comprises gains and losses on financial instruments at fair value through profit or loss, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts;
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans;
- Precious metals: precious metals operations and precious metals forward contracts;
- Other derivatives: interest rate swap contracts.

7. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Fee and commission income:		
Settlements	1,247	533
Documentary operations	476	329
Cash operations	310	335
Insurance broker commission	104	3
Foreign currency conversion operations	48	25
Brokerage operations	38	26
Operations with precious metals	26	16
Depository services	1	1
Operations related to underwriting	-	4
Other	29	98
Total fee and commission income	2,279	1,370
Fee and commission expense:		
Settlements	509	170
Cash operations	43	23
Documentary operations	15	21
Securities operations	7	4
Depository services	4	3
Other	23	10
Total fee and commission expense	601	231
Net fee and commission income	1,678	1,139

8. OPERATING EXPENSES

Operating expenses comprise:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Payroll and bonuses	2,382	1,719
Unified social tax	638	470
Stationery and other office expenses	219	145
Depreciation of property, plant and equipment	194	223
Amortization of intangible assets	192	178
Rent expenses	178	145
Taxes other than income tax	137	135
Payments to the Deposit Insurance Fund	122	64
Property, plant and equipment maintenance	121	107
Telecommunications	82	54
Professional services	78	16
Security expenses	66	74
Advertising expenses	61	50
Charity expenses	34	-
Insurance expenses	29	33
Representation expenses	27	16
Other expenses	40	150
Total operating expenses	4,600	3,579

9. EARNINGS PER SHARE AND EARNINGS PER GDR

Earnings per share are presented as follows:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Earnings per share related to continuing operations:		
Profit:		
Net profit	4,048	3,241
Less:		
Loss on redemption of preference shares	-	(40)
Non-controlling interest	(830)	(690)
Net earnings attributable to equity holders of the parent	3,218	2,511
Weighted average number of ordinary shares for basic and diluted earnings per share	92,422,370	86,845,973
Earnings per share – basic and diluted (RUB)	34.82	28.92
Weighted average number of GDR's for basic and diluted earnings per GDR [†]	184,844,740	-
Earnings per GDR from continuing operations – basic and diluted	17.41	-

In April 2011 the Group has performed the initial public offering (IPO) of its shares in the form of both GDR and shares issue.

[†] Two GDRs represent an interest in one ordinary share.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	31 March 2012	31 December 2011
Financial assets at fair value through profit or loss:		
Debt securities	67,989	69,859
Equity securities	56	1,799
	68,045	71,658
First to default credit-linked notes recognized at fair value through profit or loss	306	311
Derivative financial instruments	5,313	6,000
Total financial assets at fair value through profit or loss	73,664	77,969

As at 31 March 2012 financial assets at fair value through profit or loss comprise:

	31 March 2012	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	23,622	0-12.7%	May 2012-June 2035
Corporate bonds and Eurobonds	15,358	0-13.5%	May 2012-December 2036
Promissory notes of credit institutions	15,038	-	April 2012-April 2014
OFZ bonds	13,161	6.5-12.0%	February 2013-February 2036
Municipal bonds	810	7.0-8.0%	September 2013-September 2016
Corporate shares	56	-	-
Total financial assets at fair value through profit or loss	68,045		

As at 31 March 2012 the Group has certain securities with a zero coupon rate issued by Russian companies and banks.

	31 March 2012	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	23,622	5,238	1,896	5	7,139
Corporate bonds and Eurobonds	15,358	858	3,167	-	4,025
Promissory notes of credit institutions	15,038	-	1,038	-	1,038
OFZ bonds	13,161	1,517	2,874	-	4,391
Municipal bonds	810	-	-	-	-
Corporate shares	56	-	5,624	239	5,863
Total financial assets at fair value through profit or loss	68,045	7,613	14,599	244	22,456

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 5,624 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 244 million as discussed in Note 16.

As at 31 December 2011 financial assets at fair value through profit or loss comprise:

	31 December 2011	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	27,506	4.2-12.7%	May 2012-June 2035
Corporate bonds and Eurobonds	21,033	5.2-13.5%	January 2012-December 2036
OFZ bonds	17,182	6.5-12.0%	February 2013-January 2036
Promissory notes of credit institutions	2,877	-	January 2012-March 2014
RF Government Eurobonds	1,110	7.5%	March 2030
Municipal bonds	151	8.0%	April 2014
Corporate shares	1,799	-	-
Total financial assets at fair value through profit or loss	71,658		

	31 December 2011	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	27,506	5,466	4,931	-	10,397
Corporate bonds and Eurobonds	21,033	397	5,239	-	5,636
OFZ bonds	17,182	-	5,839	-	5,839
Promissory notes of credit institutions	2,877	-	-	-	-
RF Government Eurobonds	1,110	-	1,110	-	1,110
Municipal bonds	151	-	-	-	-
Corporate shares	1,799	1,816	2,690	232	4,738
Total financial assets at fair value through profit or loss	71,658	7,679	19,809	232	27,720

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 3,800 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 232 million as discussed in Note 16.

As at 31 March 2012 and 31 December 2011 financial assets at fair value through profit or loss are mainly represented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

First to default credit-linked notes are USD denominated floating coupon notes issued by major international financial institutions, repayment of which is dependent on certain corporate bonds being repaid by their issuers in full (the "reference bonds"). In case of default of any of the reference bonds, the major international financial institutions have the right to transfer to the Group defaulted bonds with a nominal amount equal to the nominal amount of first to default credit-linked notes held by the Group without any further payments to the Group for these notes.

As at 31 March 2012 first to default credit-linked notes were as follows:

<u>Nominal amount and margin calls</u>		<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	<u>31 March 2012 Carrying amount</u>
<u>Nominal currency</u>	<u>Rouble equivalent</u>				
USD 10 million	293	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	306
					306

As at 31 December 2011 first to default credit-linked notes were as follows:

<u>Nominal amount and margin calls</u>		<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	<u>31 December 2011 Carrying amount</u>
<u>Nominal currency</u>	<u>Rouble equivalent</u>				
USD 10 million	322	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	311
					311

11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Loans to banks	56,102	25,399
Correspondent accounts with banks	16,242	21,347
Loans under reverse repurchase agreements	7,719	6,945
Total loans and advances to banks and other financial institutions	80,063	53,691

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 March 2012 and 31 December 2011 are presented as follows:

	<u>31 March 2012</u>		<u>31 December 2011</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
First to default credit-linked notes	3,527	4,036	-	-
OFZ bonds	1,450	1,559	100	111
Municipal bonds	1,057	1,173	2,821	3,527
Bonds and Eurobonds issued by banks	806	945	283	366
Corporate bonds and Eurobonds	477	558	3,741	5,043
Corporate shares	402	630	-	-
Total	7,719	8,901	6,945	9,047

As at 31 March 2012 and 31 December 2011 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with plastic cards in the amount of RUB 623 million and RUB 719 million, respectively.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2012	31 December 2011
Loans to legal entities		
Corporate loans	334,080	327,817
Loans under reverse repurchase agreements	36,702	46,346
Small business loans to corporates	31,602	31,297
Net investments in finance lease	2,895	2,707
Lease contracts to individual entrepreneurs	462	448
Total loans to legal entities	405,741	408,615
Loans to individuals		
Consumer loans	31,078	27,335
Mortgage loans	28,993	28,829
Car loans	2,960	2,998
Loans to individual entrepreneurs	738	501
Other	8	9
Total loans to individuals	63,777	59,672
Gross loans to customers	469,518	468,287
Less – Allowance for impairment losses	(19,369)	(20,382)
Total loans to customers	450,149	447,905

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

Movements in allowances for impairment losses for the three months ended 31 March 2012 and 2011 were as follows.

	For the three month ended 31 March	
	2012	2011
As at 1 January	20,382	15,558
Provision charge	1,357	2,190
Recovery of bad debt written-off	95	23
Foreign currency revaluation effect	(377)	(338)
Disposal of loans	(78)	(950)
Bad debt written-off	(2,010)	(450)
As at 31 March	19,369	16,033

Loans are made principally within Russia in the following industry sectors:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Analysis by industry sector:		
Industrial manufacturing	67,273	67,799
Individuals	63,777	59,672
Wholesale trade	48,982	49,160
Operations with real estate	38,266	43,962
Brokerage and dealing in securities	36,702	46,346
Construction of industrial real estate	29,445	27,173
Services	27,861	23,955
Leasing	24,329	22,819
Transport and communication	22,939	17,723
Mining	21,892	22,115
Housing construction	20,861	21,149
Retail trade	20,046	19,711
Construction of commercial real estate	15,458	13,029
Agriculture	3,164	4,020
Energy	2,411	2,453
Precious metals extraction	1,947	1,150
Government finance	986	1,392
Other	23,179	24,659
Gross loans to customers	469,518	468,287
Less – Allowance for impairment losses	(19,369)	(20,382)
Total loans to customers	450,149	447,905

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Loans collateralized by guarantees of enterprises and banks	113,917	100,272
Loans collateralized by pledge of real estate	86,547	84,946
Loans collateralized by pledge of securities	80,163	83,141
Loans collateralized by pledge of contract proceeds	32,042	32,778
Loans collateralized by pledge of property	28,274	26,538
Loans collateralized by pledge of the Bank's own securities	35	82
Unsecured loans	64,763	80,858
Gross loans to corporate customers	405,741	408,615
Less – Allowance for impairment losses	(18,245)	(19,318)
Total loans to corporate customers	387,496	389,297

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Loans collateralized by pledge of real estate	23,391	22,760
Loans collateralized by guarantees of enterprises	9,861	10,078
Loans collateralized by pledge of vehicles and other property	3,279	3,296
Loans collateralized by pledge of contract proceeds	1,751	1,432
Loans collateralized by pledge of securities	20	83
Loans collateralized by pledge of the Bank's own securities	3	3
Unsecured loans	25,472	22,020
Gross loans to individuals	63,777	59,672
Less – Allowance for impairment losses	(1,124)	(1,064)
Total loans to individuals	62,653	58,608

As at 31 March 2012 and 31 December 2011 the Group granted loans to four and five borrowers totalling RUB 38,137 million and RUB 54,894 million, respectively, which individually exceeded 10% of the Group's equity. Borrowers individually exceeding 10% of the Group equity have good credit history and the loans provided to them are performing within standard loans.

As at 31 March 2012 and 31 December 2011 renegotiated loans amounted to RUB 5,969 million and RUB 6,739 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 31 March 2012 and 31 December 2011 the loans under reverse repurchase agreements to customers have contractual maturities from April 2012 to June 2012 and from January 2012 to March 2012, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 March 2012 and 31 December 2011 are presented as follows:

	31 March 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate shares	26,028	34,144	39,248	46,244
Corporate bonds and Eurobonds	6,386	6,895	7,098	7,483
Bonds issued by banks	2,767	2,999	-	-
Bonds issued by Russian government	1,521	1,682	-	-
Total	36,702	45,720	46,346	53,727

The components of net investment in finance lease as at 31 March 2012 and 31 December 2011 are as follows:

	31 March 2011	31 December 2011
Less than one year	2,015	1,917
From one year to five years	2,183	2,058
More than five years	66	68
Minimum lease payments	4,264	4,043
Less: unearned finance income	(907)	(888)
Net investment in finance lease	3,357	3,155
Current portion	1,532	1,446
Long-term portion	1,825	1,709
Net investment in finance lease	3,357	3,155

As at 31 March 2012 and 31 December 2011 the Group provided loans to customers in the amount of RUB 5,980 million and of RUB 6,703 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,264 million and RUB 6,263 million, respectively (see Note 16).

During the three months ended 31 March 2012 and 2011 the Bank sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Fair value of the consideration received	115	4,055
Carrying amount net of provisions	(31)	(3,994)
Net gain on disposal of loans	84	61

13. INVESTMENTS AVAILABLE-FOR-SALE

As at 31 March 2012 investments available-for-sale comprise:

	31 March 2012	Interest rate to nominal	Maturity date
Units of investment funds	5,677	-	-
Bonds issued by CIS	1,048	8.7-8.9%	August 2015-January 2018
Bonds and Eurobonds issued by banks	532	0-12.5%	April 2012-December 2017
Corporate shares	457	-	-
Corporate bonds and Eurobonds	295	5.1-15.0%	April 2012-December 2016
OFZ bonds	162	8.0%	November 2021
Share participation in limited liability companies	1	-	-
Total investments available-for-sale	8,172		

As at 31 March 2012 there were no investments available-for-sale pledged under repurchase agreements.

As at 31 December 2011 investments available-for-sale comprise:

	31 December 2011	Interest rate to nominal	Maturity date
Units of investment funds	5,676	-	-
Bonds issued by CIS	1,977	8.7-8.9%	August 2015-January 2018
Corporate bonds and Eurobonds	942	5.9-20.0%	March 2012-December 2016
Bonds and Eurobonds issued by banks	507	0-9.2%	May 2012-December 2017
Corporate shares	421	-	-
OFZ bonds	161	8.0%	November 2021
Promissory notes of credit institutions	5	-	January 2012
Share participation in limited liability companies	1	-	-
Total investments available-for-sale	9,690		

As at 31 March 2012 and 31 December 2011 the Group has bonds issued by bank with a zero coupon rate.

	31 December 2011	Pledged under repurchase agreements with banks
Units of investment funds	5,676	-
Bonds issued by CIS	1,977	-
Corporate bonds and Eurobonds	942	826
Bonds and Eurobonds issued by banks	507	-
Corporate shares	421	-
OFZ bonds	161	-
Promissory notes of credit institutions	5	-
Share participation in limited liability companies	1	-
Total investments available-for-sale	9,690	826

Units of investment funds included in financial assets available-for-sale as at 31 March 2012 and 31 December 2011 are presented below:

	31 March 2012	31 December 2011
ZPIF Rusnedra	5,651	5,651
OPIF "NOMOS – Fund of bonds"	10	10
OPIF "NOMOS – Fund of shares"	8	8
OPIF of shares "Troika-Dialog – Dobrynya Nikitich"	8	7
Total units of investment funds	5,677	5,676

Closed unit investment fund of private equity investments ZPIF Rusnedra is managed by LLC Managing Company Fleming Family & Partners and created with the purpose of investing into shares (units) of companies engaged in the production and exploration and holding oil and gas production licenses.

For units in ZPIF Rusnedra, which have no quoted prices in the active market, the Group applies a discounted cash flow method ("DCF Method"). "DCF Method" is a method within the income approach whereby the present value of future expected free cash flows is calculated using a discount rate which reflects the degree of perceived risk associated with achieving the projected results.

The valuation of ZPIF Rusnedra has been derived by projecting free cash flows derived from normalized historical data, internal long-term performance forecast, as well as benchmarking of long-term growth in the industry and the economy. The key variables in the projection included assumptions with respect to future prices, production volumes, extraction costs, operating taxes, depreciation, capital expenditures and working capital investments. Resulting cash flows have been discounted at the rates determined based on market, country, industry and small cap premiums as well as company specific risk factors to arrive at the valuation as of respective reporting dates.

As at 31 March 2012 and 31 December 2011 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

14. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	Interest rate to nominal	31 March 2012	Pledged as collateral with CBR	Interest rate to nominal	31 December 2011	Pledged as collateral with CBR
Municipal bonds	9.0%	534	532	9.0%	523	522
OFZ bonds	6.9%	25	-	6.9%	25	-
Total investments held to maturity		559	532		548	522

Movements in allowances for impairment losses for the three months ended 31 March 2012 and 2011 were as follows.

	For the three months ended 31 March	
	2012	2011
As of 1 January	-	1,129
Provision charge	-	1
As of 31 March	-	1,130

15. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	31 March 2012	31 December 2011
Deposits from banks	77,100	72,290
Loans under repurchase agreements	11,087	17,406
Correspondent accounts of other banks	11,057	10,644
Syndicated loans	5,928	6,307
Total due to banks and the Central Bank of the Russian Federation	105,172	106,647

As at 31 March 2012 and 31 December 2011 carrying value of syndicated loans received by the Group amounted to RUB 5,928 million and RUB 6,307 million, respectively. Syndicated loans were obtained from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is October 2012, and the interest rate is tied to six-month LIBOR plus 1.9% margin.

As at 31 March 2012 and 31 December 2011 the Group had deposits from three banks amounting to RUB 35,687 million and RUB 40,583 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 March 2012 and 31 December 2011 are presented as follows:

	31 March 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate shares	3,053	5,624	1,697	2,690
OFZ bonds	2,844	2,874	5,712	5,839
Corporate bonds and Eurobonds	2,762	3,167	4,969	6,065
Bonds and Eurobonds issued by banks	1,392	1,896	4,203	4,931
Promissory notes of credit institutions	1,036	1,038	-	-
RF Government Eurobonds	-	-	825	1,110
Total	11,087	14,599	17,406	20,635

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 March 2012	31 December 2011
Term deposits	276,347	273,261
Current accounts	98,147	102,764
Term deposits from Deposit Insurance Agency	6,264	6,263
Loans under repurchase agreements	168	157
Total customer accounts	380,926	382,445

As at 31 March 2012 and 31 December 2011 the Group received funds from three and four customers amounting to RUB 30,396 million and RUB 40,258 million, respectively, which individually exceeded 10% of the Group's equity.

As at 31 March 2012 and 31 December 2011 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	31 March 2012	31 December 2011
Gold	4,524	5,636
Silver	548	921
Palladium	52	93
Platinum	83	51
Total customer accounts denominated in precious metals	5,207	6,701

As at 31 March 2012 and 31 December 2011 customer accounts amounting to RUB 1,296 million and RUB 2,670 million, respectively, were held as security against other financial transactions by the Group (see Note 20).

As at 31 March 2012 and 31 December 2011 the Group provided loans to customers in the amount of RUB 5,980 million and of RUB 6,703 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,264 million and RUB 6,263 million, respectively (see Note 12).

Analysis of customer accounts by economic sector is presented below:

	31 March 2012	31 December 2011
Individuals	130,496	130,375
Investment and asset management companies	70,947	59,297
Industrial manufacturing	41,781	28,506
Services	24,320	35,445
Wholesale trade	23,590	24,703
Construction of industrial real estate	16,097	21,330
Regional and local budgets funds	15,883	20,747
Insurance	13,957	12,669
Operations with real estate	8,524	8,451
Science	5,436	5,659
Transport and communication	5,123	6,190
Precious metals extraction	5,085	5,697
Construction of commercial real estate	3,337	2,117
Retail trade	2,685	3,861
Leasing	2,100	3,189
Energy	1,718	4,951
Agriculture	693	610
Brokerage and dealing in securities	168	157
Housing construction	84	145
Other	8,902	8,346
Total customer accounts	380,926	382,445

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 March 2012 and 31 December 2011 are presented as follows:

	31 March 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate shares	163	239	157	232
Bonds and Eurobonds issued by banks	5	5	-	-
Total	168	244	157	232

17. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	31 March 2012	31 December 2011
Bonds issued in local market	20,912	22,592
Eurobonds due in 2013	11,940	11,865
Eurobonds due in 2012	5,332	5,809
Total Bonds and Eurobonds issued	38,184	40,266

Bonds and Eurobonds as at 31 March 2012 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 March 2012</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,042
NOMOS, BO-01	Roubles	2011	2014	9.10%	2,913
NOMOS, 11th issue	Roubles	2009	2014	7.40%	4,835
NOMOS, 9th issue	Roubles	2008	2013	6.25%	5,091
NOMOS, BO-02	Roubles	2011	2014	8.00%	2,766
2 nd issue	Roubles	2010	2013	6.25%	265
Total bonds issued					20,912
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,940
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,332
Total Eurobonds issued					17,272
Total bonds and Eurobonds issued					38,184

Bonds and Eurobonds as at 31 December 2011 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2011</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,149
NOMOS, BO-01	Roubles	2011	2014	7.00%	4,971
NOMOS, 11th issue	Roubles	2009	2014	7.40%	4,895
NOMOS, 9th issue	Roubles	2008	2013	6.25%	4,614
NOMOS, BO-02	Roubles	2011	2014	8.00%	2,610
2 nd issue	Roubles	2010	2013	6.25%	353
Total bonds issued					22,592
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,865
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,809
Total Eurobonds issued					17,674
Total bonds and Eurobonds issued					40,266

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2012 and 2013.

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants at the end of each quarter in the periods ended 31 March 2012 and 31 December 2011.

18. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 31 March 2012:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 March 2012
Subordinated bonds	US Dollars	2010	2015	8.75%	10,591
Subordinated loan	Roubles	2011	2021	12.00%	6,002
Subordinated loan	Roubles	2009	2019	6.50%	4,901
Subordinated bonds	US Dollars	2007	2018	11.00%	3,192
Subordinated loan	Roubles	2009	2019	6.50%	1,563
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	35
					26,383

The following table provides information on subordinated debt as at 31 December 2011:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2011
Subordinated bonds	US Dollars	2010	2015	8.75%	11,374
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,901
Subordinated bonds	US Dollars	2007	2018	11.00%	3,407
Subordinated loan	Roubles	2009	2019	6.50%	1,549
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	35
					27,365

19. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Issued and fully paid				
31 December 2010	86,845,973	4,342	2,420,000	121
Required	-	-	(2,420,000)	(121)
31 March 2011	86,845,973	4,342	-	-
31 December 2011	92,422,370	4,621	-	-
31 March 2012	92,422,370	4,621	-	-

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Bank, to receive non-fixed rate dividend income and to receive property belonging to the Bank in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

Authorized	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
31 December 2010	172,954,027	8,648	48,100,000	2,405
31 March 2011	172,954,027	8,648	48,100,000	2,405
31 December 2011	167,377,630	8,369	48,100,000	2,405
31 March 2012	167,377,630	8,369	48,100,000	2,405

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

20. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed interim consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 March 2012 and 31 December 2011 allowances for guarantees and other off-balance sheet commitments were RUB 307 million and RUB 381 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 31 March 2012 and 31 December 2011 the nominal or contract amounts and risk-weighted amounts were:

	31 March 2012		31 December 2011	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Commitments on loans and unused credit lines	83,758	1,343	87,202	1,366
Guarantees issued and similar commitments	102,971	66,932	100,356	65,078
Letters of credit and other contingent commitments related to settlement operations	8,986	3,845	9,972	3,651
Total contingent liabilities and credit commitments	195,715	72,120	197,530	70,095

As at 31 March 2012 and 31 December 2011 letters of credit of RUB 1,296 million and RUB 2,670 million, respectively, were secured by cash deposited in customer accounts (see Note 16).

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 31 March 2012 and 31 December 2011 are presented in the table below.

	31 March 2012	31 December 2011
Not later than 1 year	486	834
Later than 1 year and not later than 5 years	962	1,019
Later than 5 years	3	3
Total operating lease	1,451	1,856

Fiduciary activities – The Group provides depository services to its customers. As at 31 March 2012 and 31 December 2011 the Group had customers' securities of 14,863,995,006 items, and 14,999,522,154 items, respectively, in its nominal holder's accounts.

As at 31 March 2012 and 31 December 2011 the Group kept in its vault 1,991 kg of gold bullion, 5,022 kg of silver bullion, 88 kg of palladium bullion, 24 kg of platinum bullion, and 5,006 kg of gold bullion, 3,236 kg of silver bullion, 82 kg of palladium bullion, 26 kg of platinum bullion respectively, owned by the Group's customers.

As at 31 March 2012 and 31 December 2011 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 33,364 million and RUB 35,029 million, respectively, which are not recognized in the consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these condensed interim consolidated financial statements.

Taxation – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial statements.

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the three months ended 31 March 2012 and 2011 the Group made payments to the non-government pension fund of RUB 1 million and RUB 1 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

Operating Environment – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and the Russian economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Russian economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Russian Federation produces and exports large volumes of oil and gas, Russian economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

21. SEGMENT REPORTING

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.

- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2012 Total
External interest income	9,202	1,122	2,144	2,293	38	-	14,799
External interest expense	(3,106)	(150)	(1,677)	(1,440)	(1,120)	-	(7,493)
Internal funding costs/revenues from Central treasury	(2,394)	15	1,225	(138)	1,292	-	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	3,702	987	1,692	715	210	-	7,306
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(781)	(182)	32	1	-	(1)	(931)
Net interest income	2,921	805	1,724	716	210	(1)	6,375
Fee and commission income	812	266	1,160	36	5	-	2,279
Fee and commission expense	(27)	(6)	(514)	(30)	(24)	-	(601)
Trading and foreign exchange results	109	5	56	1,300	(75)	-	1,395
Other operating income	140	(11)	36	136	1	31	333
Net result from other segments*	(35)	(4)	10	47	(18)	-	-
Operating income before Impairment losses of investments available-for-sale and investment property and provisions on other transactions	3,920	1 055	2,472	2,205	99	30	9,781
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	24	(5)	(34)	(9)	-	8	(16)
Operating expenses	(1,122)	(697)	(1,876)	(269)	(75)	(561)	(4,600)
Operating profit before income tax	2,822	353	562	1,927	24	(523)	5,165
Income tax expense	-	-	-	-	-	(1,117)	(1,117)
Net profit	2,822	353	562	1,927	24	(1,640)	4,048
Depreciation and amortization expense	(92)	(56)	(175)	(16)	(5)	(42)	(386)
Capital expenditures	70	42	135	12	4	33	296

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 March 2012 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	10,312	18	12,095	5	22,430
Minimum reserve deposits with CBR	970	171	909	150	4,139	-	6,339
Precious metals	6,683	-	18	-	-	-	6,701
Financial assets at fair value through profit or loss	9	-	-	73,655	-	-	73,664
Loans and advances to banks and other financial institutions	6	-	1,189	68,642	10,226	-	80,063
Loans to customers	327,916	30,502	61,925	29,767	8	31	450,149
Investments available-for-sale	5,655	-	-	2,452	65	-	8,172
Investments held to maturity	-	-	-	559	-	-	559
Property, plant and equipment	2,557	1 505	4,673	454	592	1,178	10,959
Goodwill	-	-	-	-	-	809	809
Intangible assets	395	251	1,345	55	13	432	2,491
Investment property	2,335	-	-	717	-	873	3,925
Other assets	957	13	320	412	42	2,336	4,080
TOTAL ASSETS	347,483	32,442	80,691	176,881	27,180	5,664	670,341
LIABILITIES							
Financial liabilities at fair value through profit or loss	44	-	-	4,127	-	-	4,171
Due to banks and the Central Bank of the Russian Federation	7,775	3,384	1,009	87,073	5,931	-	105,172
Customer accounts	216,093	22,102	133,332	2,333	7,060	6	380,926
Bonds and Eurobonds	-	-	-	20,912	17,272	-	38,184
Promissory notes issued	8,920	971	69	17,715	290	-	27,965
Deferred income tax liabilities	-	-	-	-	-	2,388	2,388
Other liabilities	691	55	534	149	17	3,667	5,113
Subordinated debt	-	-	-	-	26,383	-	26,383
TOTAL LIABILITIES	233,523	26,512	134,944	132,309	56,953	6,061	590,302

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2011 Total
External interest income	7,261	699	1,378	2,436	24	-	11,798
External interest expense	(1,649)	(91)	(1,812)	(1,017)	(1,058)	-	(5,627)
Internal funding costs/revenues from Central treasury	(2,370)	3	1,625	(345)	1,083	4	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	3,242	611	1,191	1,074	49	4	6,171
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(424)	(66)	(83)	25	-	-	(548)
Net interest income	2,818	545	1,108	1,099	49	4	5,623
Fee and commission income	569	253	406	136	3	3	1,370
Fee and commission expense	(34)	(5)	(87)	(78)	(27)	-	(231)
Trading and foreign exchange results	250	21	10	587	19	(6)	881
Other operating income	120	(2)	14	-	8	(23)	117
Net result from other segments [*]	(32)	-	(1)	50	(17)	-	-
Operating income before Impairment losses of investments available-for-sale and investment property and provisions on other transactions	3,691	812	1,450	1,794	35	(39)	7,760
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	25	(56)	(24)	(1)	-	(25)	(81)
Operating expenses	(884)	(494)	(1,329)	(257)	(7)	(608)	(3,579)
Operating profit before income tax	2,832	262	97	1,536	28	(655)	4,100
Income tax expense	-	-	-	-	-	(859)	(859)
Net profit	2,832	262	97	1,536	28	(1,514)	3,241
Depreciation and amortization expense	(85)	(48)	(161)	(30)	(2)	(75)	(401)
Capital expenditures	69	39	122	23	2	59	314

^{*}Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	12,939	5,013	15,998	9	33,959
Minimum reserve deposits with CBR	-	-	-	-	6,124	-	6,124
Precious metals	9,373	-	25	-	-	-	9,398
Financial assets at fair value through profit or loss	47	-	-	77,922	-	-	77,969
Loans and advances to banks and other financial institutions	435	-	2,110	35,778	15,368	-	53,691
Loans to customers	320,870	29,930	58,114	38,952	9	30	447,905
Investments available-for-sale	5,651	-	-	4,016	23	-	9,690
Investments held to maturity	-	-	-	548	-	-	548
Property, plant and equipment	2,475	1,456	4,560	477	599	1,423	10,990
Intangible assets	434	246	1,414	58	21	454	2,627
Goodwill	-	-	-	-	-	809	809
Investment property	2,218	-	-	728	-	813	3,759
Other assets	685	306	565	237	57	2,825	4,675
TOTAL ASSETS	342,188	31,938	79,727	163,729	38,199	6,363	662,144
LIABILITIES							
Financial liabilities at fair value through profit or loss	104	-	-	4,421	-	-	4,525
Due to banks and the Central Bank of the Russian Federation	10,979	3,713	6,440	79,208	6,307	-	106,647
Customer accounts	213,096	24,250	130,636	2,895	11,568	-	382,445
Bonds and Eurobonds	-	-	-	22,592	17,674	-	40,266
Promissory notes issued	6,481	239	84	12,103	-	-	18,907
Deferred income tax liabilities	-	-	-	-	-	2,885	2,885
Other liabilities	700	41	777	183	51	1,642	3,394
Subordinated debt	-	-	-	-	27,365	-	27,365
TOTAL LIABILITIES	231,360	28,243	137,937	121,402	62,965	4,527	586,434

22. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), non-controlling interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of investments available-for-sale and property, plant and equipment revaluation reserve.

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 31 March 2012 and 31 December 2011:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Tier 1 capital	78,065	73,864
Tier 2 capital	24,007	25,384
Total regulatory capital	<u><u>102,072</u></u>	<u><u>99,248</u></u>
Risk-weighted assets:		
Credit risks	559,333	550,142
Market risks	52,037	64,381
Total risk-weighted assets	<u><u>611,370</u></u>	<u><u>614,523</u></u>
Basel ratio	16.70%	16.15%
Tier 1	12.77%	12.02%

As at 31 March 2012 and 31 December 2011 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 31 March 2012 and 31 December 2011, the Group complied with Basel capital requirements.

The Bank’s overall capital management policy is aimed at the dynamic optimization of capital required for the Bank’s expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders’ vision and strategy of long-term Bank development.

23. RISK MANAGEMENT POLICY

Foreign currency and precious metals risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange and precious metals exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 31 March 2012 is presented in the table below:

	RUB	USD 1 USD = RUB 29.3282	Euro 1 EUR = RUB 39.1707	Gold 1 ounce = RUB 48,758.13	Other	31 March 2012 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	21,022	757	638	-	13	22,430
Minimum reserve deposits with the Central Bank of the Russian Federation	6,339	-	-	-	-	6,339
Financial assets at fair value through profit or loss	62,308	9,149	2,178	-	29	73,664
Loans and advances to banks and other financial institutions	18,611	42,065	9,518	9,584	285	80,063
Loans to customers	329,205	105,073	14,242	-	1,629	450,149
Investments available-for-sale	6,387	1,718	67	-	-	8,172
Investments held to maturity	559	-	-	-	-	559
Other financial assets	1,068	180	160	-	6	1,414
TOTAL FINANCIAL ASSETS	445,499	158,942	26,803	9,584	1,962	642,790
Precious metals	-	-	-	5,860	841	6,701
Property, plant and equipment	10,959	-	-	-	-	10,959
Goodwill	809	-	-	-	-	809
Intangible assets	2,491	-	-	-	-	2,491
Investment property	3,925	-	-	-	-	3,925
Other non-financial assets	2,547	10	13	23	73	2,666
TOTAL NON-FINANCIAL ASSETS	20,731	10	13	5,883	914	27,551
TOTAL ASSETS	466,230	158,952	26,816	15,467	2,876	670,341
LIABILITIES						
Financial liabilities at fair value through profit or loss	3,520	542	87	9	13	4,171
Due to banks and the Central Bank of the Russian Federation	38,781	37,897	17,489	10,675	330	105,172
Customer accounts	309,122	45,995	19,640	4,524	1,645	380,926
Bonds and Eurobonds	20,912	17,272	-	-	-	38,184
Promissory notes issued	27,041	527	331	-	66	27,965
Other financial liabilities	3,134	29	55	2	1	3,221
Subordinated debt	12,600	13,783	-	-	-	26,383
TOTAL FINANCIAL LIABILITIES	415,110	116,045	37,602	15,210	2,055	586,022
Deferred income tax liabilities	2,388	-	-	-	-	2,388
Other non-financial liabilities	1,891	1	-	-	-	1,892
TOTAL NON-FINANCIAL LIABILITIES	4,279	1	-	-	-	4,280
TOTAL LIABILITIES	419,389	116,046	37,602	15,210	2,055	590,302
OPEN BALANCE SHEET POSITION	46,841	42,906	(10,786)	257	821	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(119,775)	(138,614)	(13,661)	(2,848)	(4,829)	(279,727)
Receivables under forward deals	129,847	116,555	25,932	3,210	4,183	279,727
Payables under spot deals	(26,935)	(68,396)	(29,581)	(573)	(1,341)	(126,826)
Receivables under spot deals	40,480	55,999	28,506	487	1,354	126,826
Payables under futures contracts	-	(7,987)	-	-	-	(7,987)
Receivables under futures contracts	7,987	-	-	-	-	7,987
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	31,604	(42,443)	11,196	276	(633)	
TOTAL OPEN POSITION	78,445	463	410	533	188	
CREDIT CONTINGENT LIABILITIES	172,134	14,455	9,081	-	46	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2011 is presented in the table below:

	RUB	USD 1 USD = RUB 32.1961	Euro 1 EUR = RUB 41.6714	Gold 1 ounce = RUB 50,692.76	Other	31 December 2011 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	32,373	801	773	-	12	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation	6,124	-	-	-	-	6,124
Financial assets at fair value through profit or loss	50,660	26,979	317	-	13	77,969
Loans and advances to banks and other financial institutions	17,847	27,878	6,390	836	740	53,691
Loans to customers	307,301	123,998	16,490	-	116	447,905
Investments available-for-sale	6,350	3,273	67	-	-	9,690
Investments held to maturity	548	-	-	-	-	548
Other financial assets	1,108	36	127	-	-	1,271
TOTAL FINANCIAL ASSETS	422,311	182,965	24,164	836	881	631,157
Precious metals	-	-	-	8,859	539	9,398
Property, plant and equipment	10,990	-	-	-	-	10,990
Goodwill	809	-	-	-	-	809
Intangible assets	2,627	-	-	-	-	2,627
Investment property	3,759	-	-	-	-	3,759
Other non-financial assets	3,285	15	10	22	72	3,404
TOTAL NON-FINANCIAL ASSETS	21,470	15	10	8,881	611	30,987
TOTAL ASSETS	443,781	182,980	24,174	9,717	1,492	662,144
LIABILITIES						
Financial liabilities at fair value through profit or loss	299	3,943	169	93	21	4,525
Due to banks and the Central Bank of the Russian Federation	43,465	32,106	19,495	10,942	639	106,647
Customer accounts	308,448	49,723	17,003	5,636	1,635	382,445
Bonds and Eurobonds	22,592	17,674	-	-	-	40,266
Promissory notes issued	17,316	296	1,284	-	11	18,907
Other financial liabilities	2,790	16	23	-	-	2,829
Subordinated debt	12,584	14,781	-	-	-	27,365
TOTAL FINANCIAL LIABILITIES	407,494	118,539	37,974	16,671	2,306	582,984
Deferred income tax liabilities	2,885	-	-	-	-	2,885
Other non-financial liabilities	545	3	17	-	-	565
TOTAL NON-FINANCIAL LIABILITIES	3,430	3	17	-	-	3,450
TOTAL LIABILITIES	410,924	118,542	37,991	16,671	2,306	586,434
OPEN BALANCE SHEET POSITION	32,857	64,438	(13,817)	(6,954)	(814)	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(115,409)	(161,959)	(20,001)	(4,351)	(1,342)	(303,062)
Receivables under forward deals	144,732	111,163	33,141	11,699	2,327	303,062
Payables under spot deals	(2,259)	(14,831)	(7,174)	-	(10)	(24,274)
Receivables under spot deals	6,567	9,373	8,324	-	10	24,274
Payables under futures contracts	-	(8,768)	-	-	-	(8,768)
Receivables under futures contracts	8,768	-	-	-	-	8,768
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	42,399	(65,022)	14,290	7,348	985	
TOTAL OPEN POSITION	75,256	(584)	473	394	171	
CREDIT CONTINGENT LIABILITIES	168,411	20,957	8,100	-	62	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The below data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russian Federation. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented below.

While financial assets at fair value through profit or loss are mainly shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are re-priced only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 March 2012:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 March 2012 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	22,430	-	-	-	-	-	22,430
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	6,339	6,339
Precious metals	6,701	-	-	-	-	-	6,701
Financial assets at fair value through profit or loss	69,832	1,460	1,488	884	-	-	73,664
Loans and advances to banks and other financial institutions	62,190	12,295	1,179	4,399	-	-	80,063
Loans to customers	52,211	66,945	152,393	147,580	31,020	-	450,149
Investments available-for-sale	891	24	57	6,523	677	-	8,172
Investments held to maturity	-	-	-	534	25	-	559
Property, plant and equipment	-	-	-	-	-	10,959	10,959
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,491	2,491
Investment property	-	-	-	3,925	-	-	3,925
Other assets	1,290	1,181	1,433	128	28	20	4,080
TOTAL ASSETS	215,545	81,905	156,550	163,973	31,750	20,618	670,341
LIABILITIES							
Financial liabilities at fair value through profit or loss	1,369	1,105	1,373	324	-	-	4,171
Due to banks and the Central Bank of the Russian Federation	49,623	12,074	28,102	15,187	186	-	105,172
Customer accounts	162,814	57,698	128,185	32,191	38	-	380,926
Bonds and Eurobonds	554	256	5,332	27,043	4,999	-	38,184
Promissory notes issued	1,769	7,797	16,804	1,595	-	-	27,965
Deferred income tax liabilities	-	-	-	-	-	2,388	2,388
Other liabilities	2,822	1,160	1,119	12	-	-	5,113
Subordinated debt	431	-	90	10,296	15,566	-	26,383
TOTAL LIABILITIES	219,382	80,090	181,005	86,648	20,789	2,388	590,302
Liquidity gap	(3,837)	1,815	(24,455)	77,325	10,961	-	
Stable sources of funding (1)	88,947	11,833	44,917	(145,697)	-	-	
Adjusted liquidity gap (1)	85,110	13,649	20,462	(68,372)	10,961	-	

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2011:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	33,959	-	-	-	-	-	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	6,124	6,124
Precious metals	9,398	-	-	-	-	-	9,398
Financial assets at fair value through profit or loss	72,382	1,370	1,764	2,453	-	-	77,969
Loans and advances to banks and other financial institutions	45,707	914	3,849	3,221	-	-	53,691
Loans to customers	44,397	46,874	169,974	156,934	29,726	-	447,905
Investments available-for-sale	64	662	247	6,748	1,969	-	9,690
Investments held to maturity	-	-	-	523	25	-	548
Property, plant and equipment	-	-	-	-	-	10,990	10,990
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,627	2,627
Investment property	-	-	-	3,759	-	-	3,759
Other assets	1,421	1,414	1,667	154	19	-	4,675
TOTAL ASSETS	207,328	51,234	177,501	173,792	31,739	20,550	662,144
LIABILITIES							
Financial liabilities at fair value through profit or loss	1,024	770	1,450	1,281	-	-	4,525
Due to banks and the Central Bank of the Russian Federation	46,401	17,920	21,034	19,111	2,181	-	106,647
Customer accounts	172,969	82,414	99,622	27,412	28	-	382,445
Bonds and Eurobonds	171	274	6,081	28,741	4,999	-	40,266
Promissory notes issued	4,537	5,770	7,196	1,404	-	-	18,907
Deferred income tax liabilities	-	-	-	-	-	2,885	2,885
Other liabilities	1,978	398	1,008	8	2	-	3,394
Subordinated debt	1	-	228	11,290	15,846	-	27,365
TOTAL LIABILITIES	227,081	107,546	136,619	89,247	23,056	2,885	586,434
Liquidity gap	(19,753)	(56,312)	40,882	84,545	8,683	-	-
Stable sources of funding (1)	77,605	15,368	45,591	(138,564)	-	-	-
Adjusted liquidity gap (1)	57,852	(40,944)	86,473	(54,019)	8,683	-	-

- (1) For liability risk management purposes, the Group monitors the mismatch between asset and liability contractual maturities. In addition, the Group identifies certain financial instruments which represent a relatively stable source of funds, despite its contractually short maturities. These instruments are correspondent accounts of banks included within Due to banks and the Central Bank of the Russian Federation and customer accounts.

These financial instruments are split into homogeneous groups with similar statistical characteristics so that management can estimate the portion of these balances which are not subject to significant risk of reduction in outstanding balances. Large customers with the highest volatility are separated from the groups and pooled together so that management can use a stochastic model that better describes these large customers behaviour on a pool basis. The stable portion is estimated with a preset level of reliability and revised regularly, at least once a quarter.

Although management believes that these components of the correspondent and customer accounts are a stable source of funding, the Group considers that customer accounts related to small, homogeneous deposits will mature in three years while all other stable sources of funding will mature in one year from the balance sheet dates.

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below:

	31 March 2012			31 December 2011		
	Related party trans- actions	Average effective interest %	Total category as per financial statements caption	Related party trans- actions	Average effective interest %	Total category as per financial statements caption
Financial assets at fair value through profit or loss:	1,251		73,664	3,860		77,969
Debt securities						
- companies controlled by shareholders	1,250	8.02%		2,118	5.77%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	1			1,742		
Loans and advances to banks and other financial institutions:	17		80,063	17		53,691
Loans to banks and other financial institutions						
Correspondent accounts with banks						
- companies controlled by shareholders	17			17		
Loans to customers, gross:	26,254		469,518	25,764		468,287
- companies controlled by shareholders	26,254	8.38%		25,764	8.94%	
Allowance for impairment of loans to customers	(352)		(19,369)	(629)		(20,382)
- companies controlled by shareholders	(352)			(629)		
Investments available-for-sale	356		8,172	653		9,690
Debt securities						
- companies controlled by shareholders	6	8.27%		303	7.75%	
Equity securities						
- entities under common control	350			350		
Other assets	10		4,080	4		4,675
- companies controlled by shareholders	10			4		
Financial liabilities at fair value through profit or loss	-		4,171	2		4,525
- companies controlled by shareholders	-			2		
Due to banks and the Central Bank of the Russian Federation:	4,671		105,172	5,203		106,647
Time deposits from banks						
- companies controlled by shareholders	4,669	3.91%		5,200	4.04%	
Correspondent accounts of other banks						
- companies controlled by shareholders	2			3		
Customer accounts:	11,961		380,926	29,871		382,445
Time deposits						
- shareholders of the Group	222	4.39%		208	4.04%	
- companies controlled by shareholders	8,619	6.20%		26,980	5.87%	
Repayable on demand						
- shareholders of the Group	1			1		
- companies controlled by shareholders	3,119			2,682		
Other liabilities	358		5,113	260		3,394
- key management personnel	356			256		
- companies controlled by shareholders	2			4		
Subordinated debt	6,002		26,383	6,000		27,365
- shareholders of the Group	6,002	12.00%		6,000	12.00%	
Commitments on loans and unused credit lines	4,139		83,758	5,157		87,202
- companies controlled by shareholders	4,139			5,157		
Guarantees issued and similar commitments	160		102,971	342		100,356
- companies controlled by shareholders	160			342		

	Year ended 31 March 2012		Year ended 31 March 2011	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
Key management personnel compensation:				
- salary	83		55	
- bonuses	94		58	
- contribution to non-government pension fund	1		-	
	<u>178</u>		<u>113</u>	
		2,382		1,719
	Year ended 31 March 2012		Year ended 31 March 2011	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		14,799		11,798
- companies controlled by shareholders	630		570	
Interest expense		(7,493)		(5,627)
- shareholders of the Group	(183)		(48)	
- entities under common control	-		-	
- companies controlled by shareholders	(276)		(149)	
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		426		1,643
- entities under common control	-		197	
- companies controlled by shareholders	2		255	
Provision for impairment losses on interest bearing assets		(1,357)		(2,191)
- entities under common control	-		(2)	
- companies controlled by shareholders	277		(385)	
Trading income:		1,397		906
- shareholders of the Group	4		40	
- companies controlled by shareholders	(566)		(623)	
Fees and commission income		2,279		1,370
- companies controlled by shareholders	135		32	
Fees and commission expense		(601)		(231)
- entities under common control	-		(7)	
Other income		249		56
- companies controlled by shareholders	6		5	
Operating expenses		(4,600)		(3,579)
- key management personnel	(183)		(116)	
- companies controlled by shareholders	(14)		(24)	

25. SUBSEQUENT EVENTS

In April 2012 OJSC "NOMOS-BANK" has completed placement of the issue of Eurobonds. The issue of Eurobonds was placed in the form of loan participation notes (LPN) in the amount of USD 500 million with maturity of seven years and fixed coupon to be paid per annum.