OJSC “Bank Saint Petersburg” Group

International Financial Reporting Standards
Consolidated Financial Statements and
Auditors’ Report

31 December 2012
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Auditors’ Report

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Auditors’ Report

To the Shareholders and Supervisory Board of OJSC “Bank Saint Petersburg”

We have audited the accompanying consolidated financial statements of OJSC “Bank Saint Petersburg” and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: OJSC “Bank Saint Petersburg”

Registered by the Central Bank of the Russian Federation on 03.10.1990, Registration No. 436.

Entered in the Unified State Register of Legal Entities on 06.06.2002 by Saint Petersburg Authority of the Ministry of taxes and levies of the Russian Federation, Registration No. 10277000000140, Certificate series 76 No. 003196019.

Address of the audited entity: 64A, Maloobotsnij prospect, Saint Petersburg, 195212

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.595.

Included in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regions Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125620, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership “Chamber of Auditors of Russia”. The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000884.
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Eugeny Shevarevkhov
Deputy Director
power of attorney dated 12 October 2012 No. 43/12
ZAQ KPMG
18 March 2013
Moscow, Russian Federation
OJSC “Bank Saint Petersburg” Group  
Consolidated Statement of Financial Position as at 31 December 2012

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
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<td>Cash and cash equivalents</td>
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<tr>
<td>the Central Bank of the</td>
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<td></td>
<td></td>
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<tr>
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<tr>
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<td>8</td>
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<td>29 043 656</td>
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<td>Trading securities pledged</td>
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<td>15 134 382</td>
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<td>under sale and repurchase</td>
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<td></td>
<td></td>
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<tr>
<td>agreements</td>
<td></td>
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<td>Financial instruments at fair</td>
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<td>value through profit or loss</td>
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<td></td>
<td></td>
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<td>Amounts receivable under</td>
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<td>9 082 398</td>
<td>7 849 012</td>
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<td>Due from banks</td>
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<td>2 998 653</td>
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<td>222 378 920</td>
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<tr>
<td>available-for-sale</td>
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<td>Investment securities held-to-</td>
<td>17</td>
<td>31 361</td>
<td>31 361</td>
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<tr>
<td>maturity</td>
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<tr>
<td>Prepaid income tax</td>
<td>29</td>
<td>-</td>
<td>491 193</td>
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<tr>
<td>Deferred tax asset</td>
<td></td>
<td></td>
<td>52 262</td>
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<tr>
<td>Investment property</td>
<td>15</td>
<td>2 855 756</td>
<td>4 524 333</td>
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<tr>
<td>Premises, equipment and</td>
<td>16</td>
<td>13 971 681</td>
<td>14 134 509</td>
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<td>intangible assets</td>
<td></td>
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<tr>
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<td>17</td>
<td>2 199 386</td>
<td>3 230 252</td>
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<td>TOTAL ASSETS</td>
<td></td>
<td>351 366 233</td>
<td>330 033 458</td>
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<tr>
<td>LIABILITIES</td>
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<td></td>
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<tr>
<td>Due to banks</td>
<td>18</td>
<td>52 254 302</td>
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<td>Customer accounts</td>
<td>19</td>
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<td>226 702 890</td>
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<td>Bonds issued</td>
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<td>16 883 584</td>
<td>11 556 524</td>
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<td>Other debt securities in issue</td>
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<td>5 244 334</td>
<td>9 356 444</td>
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<tr>
<td>Other borrowed funds</td>
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<td>11 410 628</td>
<td>12 078 256</td>
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<tr>
<td>Deferred tax liability</td>
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<td>604 705</td>
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<td>Other liabilities</td>
<td>23</td>
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<td>TOTAL LIABILITIES</td>
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<td>290 010 655</td>
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<td></td>
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<tr>
<td>EQUITY</td>
<td></td>
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<tr>
<td>Share capital</td>
<td>24</td>
<td>3 648 110</td>
<td>3 648 110</td>
</tr>
<tr>
<td>Share premium</td>
<td>24</td>
<td>18 448 915</td>
<td>18 448 915</td>
</tr>
<tr>
<td>Revaluation reserve for</td>
<td></td>
<td>3 339 031</td>
<td>3 346 303</td>
</tr>
<tr>
<td>premises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation reserve for</td>
<td></td>
<td>1 888 686</td>
<td>2 282 460</td>
</tr>
<tr>
<td>investment securities available-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for-sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>12 993 757</td>
<td>12 297 015</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td></td>
<td>40 318 499</td>
<td>40 022 803</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND EQUITY</td>
<td></td>
<td>351 366 233</td>
<td>330 033 458</td>
</tr>
</tbody>
</table>

Approved for issue and signed on behalf of the Supervisory Board on 18 March 2013.

A.V. Saveliev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

The notes on pages 8 to 81 are an integral part of these consolidated financial statements.
**OJSC “Bank Saint Petersburg” Group**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>26</td>
<td>27 361 167</td>
<td>25 777 105</td>
</tr>
<tr>
<td>Interest expense</td>
<td>26</td>
<td>(15 379 021)</td>
<td>(12 157 178)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td></td>
<td><strong>11 982 146</strong></td>
<td><strong>13 619 927</strong></td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>12, 13</td>
<td><strong>(6 389 937)</strong></td>
<td><strong>(3 502 899)</strong></td>
</tr>
<tr>
<td><strong>Net interest income after provision for loan impairment</strong></td>
<td></td>
<td><strong>5 592 209</strong></td>
<td><strong>10 117 028</strong></td>
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<tr>
<td>Net gains (losses) from trading securities</td>
<td></td>
<td>136 911</td>
<td>(794 860)</td>
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<tr>
<td>Net gains from investment securities available-for-sale</td>
<td></td>
<td>38 072</td>
<td>879 291</td>
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<tr>
<td>Net (losses) gains from trading in foreign currencies</td>
<td></td>
<td>(800 392)</td>
<td>1 974 758</td>
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<tr>
<td>Net gains (losses) from foreign exchange translations</td>
<td></td>
<td>1 493 137</td>
<td>(1 263 378)</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>27</td>
<td>2 753 204</td>
<td>2 432 022</td>
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<tr>
<td>Fee and commission expense</td>
<td>27</td>
<td>(404 075)</td>
<td>(380 388)</td>
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<tr>
<td>Recovery of impairment (impairment) for credit related commitments</td>
<td>23</td>
<td>28 946</td>
<td>(105 260)</td>
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<tr>
<td>Gain on disposal of investment property</td>
<td></td>
<td>214 199</td>
<td>-</td>
</tr>
<tr>
<td>Impairment of investment securities</td>
<td></td>
<td>-</td>
<td>(1 881)</td>
</tr>
<tr>
<td>Net result on recognition/early redemption of assets granted at non-market rates</td>
<td></td>
<td>-</td>
<td>61 154</td>
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<tr>
<td>Other net operating (expenses) income</td>
<td></td>
<td>(57 437)</td>
<td>495 960</td>
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<tr>
<td><strong>Administrative and other operating expenses:</strong></td>
<td>28</td>
<td></td>
<td></td>
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<tr>
<td>- Staff costs</td>
<td></td>
<td>(3 059 023)</td>
<td>(2 944 456)</td>
</tr>
<tr>
<td>- Costs related to premises and equipment</td>
<td></td>
<td>(1 181 178)</td>
<td>(860 376)</td>
</tr>
<tr>
<td>- Other administrative and operating expenses</td>
<td></td>
<td>(2 971 560)</td>
<td>(2 322 488)</td>
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<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td><strong>1 783 013</strong></td>
<td><strong>7 287 126</strong></td>
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<tr>
<td>Income tax expense</td>
<td>29</td>
<td>(479 513)</td>
<td>(1 401 644)</td>
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<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td><strong>1 303 500</strong></td>
<td><strong>5 885 482</strong></td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss) gain from revaluation of investment securities available-for-sale</td>
<td>25</td>
<td>(492 217)</td>
<td>2 739 633</td>
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<tr>
<td>Net changes in revaluation reserve for premises</td>
<td>25</td>
<td>254 740</td>
<td>1 734 105</td>
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<td>Deferred income tax recognised in equity related to other comprehensive income</td>
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<td>47 495</td>
<td>(830 340)</td>
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<tr>
<td><strong>Other comprehensive (loss) income for the year, net of income tax</strong></td>
<td></td>
<td><strong>(189 982)</strong></td>
<td><strong>3 643 398</strong></td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td></td>
<td><strong>1 113 518</strong></td>
<td><strong>9 528 880</strong></td>
</tr>
<tr>
<td>Basic earnings per ordinary share (in Russian Roubles per share)</td>
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<td>1.73</td>
<td>17.94</td>
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<tr>
<td>Diluted earnings per ordinary share (in Russian Roubles per share)</td>
<td>30</td>
<td>1.73</td>
<td>16.78</td>
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</tbody>
</table>

The notes on pages 6 to 81 are an integral part of these consolidated financial statements.
## OJSC “Bank Saint Petersburg” Group
### Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Revaluation reserve for premises</th>
<th>Revaluation reserve for investment securities available-for-sale</th>
<th>Retained earnings</th>
<th>Total equity</th>
</tr>
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<tr>
<td></td>
<td>In thousands of Russian Roubles</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Balance as at 1 January 2011</strong></td>
<td>3 629 541</td>
<td>15 744 164</td>
<td>1 966 015</td>
<td>26 346</td>
<td>7 198 145</td>
<td>28 564 211</td>
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<tr>
<td><strong>Other comprehensive income recognised directly in equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>25</td>
<td>-</td>
<td>-</td>
<td>1 387 284</td>
<td>2 256 114</td>
<td>-</td>
<td>3 643 398</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>5 885 482</td>
<td>5 885 482</td>
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<tr>
<td><strong>Disposals of premises</strong></td>
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<td>-</td>
<td>(6 996)</td>
<td>-</td>
<td>6 996</td>
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<tr>
<td><strong>Total comprehensive income for the year ended 31 December 2011</strong></td>
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<td>-</td>
<td>1 380 288</td>
<td>2 256 114</td>
<td>5 892 478</td>
<td>9 528 880</td>
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<td>2 723 320</td>
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<td><strong>Dividends declared</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- ordinary shares</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(31 037)</td>
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<tr>
<td>- preference shares</td>
<td>31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(762 571)</td>
<td>(762 571)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2011</strong></td>
<td>3 648 110</td>
<td>18 448 915</td>
<td>3 346 303</td>
<td>2 282 460</td>
<td>12 297 015</td>
<td>40 022 803</td>
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<td><strong>Other comprehensive income (loss) recognised directly in equity</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>-</td>
<td>-</td>
<td>203 792</td>
<td>(393 774)</td>
<td>-</td>
<td>(189 982)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 303 500</td>
<td>1 303 500</td>
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<tr>
<td><strong>Disposals of premises</strong></td>
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<td>(211 064)</td>
<td>-</td>
<td>211 064</td>
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<tr>
<td><strong>Total comprehensive income (loss) for the year ended 31 December 2012</strong></td>
<td>-</td>
<td>-</td>
<td>(7 272)</td>
<td>(393 774)</td>
<td>1 514 564</td>
<td>1 113 518</td>
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<tr>
<td><strong>Dividends declared</strong></td>
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</tr>
<tr>
<td>- ordinary shares</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(33 079)</td>
</tr>
<tr>
<td>- preference shares</td>
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<td>-</td>
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<td>-</td>
<td>(784 743)</td>
<td>(784 743)</td>
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<td><strong>Balance as at 31 December 2012</strong></td>
<td>3 648 110</td>
<td>18 448 915</td>
<td>3 339 031</td>
<td>1 888 686</td>
<td>12 993 757</td>
<td>40 318 499</td>
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</tbody>
</table>

The notes on pages 6 to 81 are an integral part of these consolidated financial statements.
Consolidated Statement of Cash Flows for the Year Ended 31 December 2012

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
</table>

### Cash flows from operating activities

- Interest received on loans and correspondent accounts: 23,184,558 (21,067,376)
- Interest received on securities: 3,646,165 (3,250,751)
- Interest received on securities pledged under sale and repurchase agreements: 529,187 (258,446)
- Interest paid on due to banks: (2,383,026) (633,897)
- Interest paid on customer deposits: (10,284,722) (8,558,939)
- Interest paid on other debt securities in issue: (347,321) (601,699)
- Net payments from securities trading: (265,903) (726,551)
- Net (payments) receipts from trading in foreign currencies: (734,633) 1,905,353
- Fee and commissions received: 2,773,546 (2,424,278)
- Fee and commissions paid: (404,075) (380,388)
- Other operating (expenses paid) income received: (24,974) 428,185
- Staff costs paid: (3,151,503) (2,832,788)
- Premises and equipment costs paid: (542,108) (453,009)
- Administrative and operating expenses paid: (2,964,040) (2,273,800)
- Income tax paid: (379,090) (1,559,150)

#### Cash flows from operating activities before changes in operating assets and liabilities: 8,652,061

#### Changes in operating assets and liabilities

- Net increase in mandatory cash balances with the Central Bank of the Russian Federation: (147,206) (1,307,584)
- Net decrease in trading securities: 17,723,450 7,708,521
- Net increase in trading securities pledged under sale and repurchase agreements: (20,154,274) (14,880,025)
- Net increase in financial instruments at fair value through profit or loss: (626,795) -
- Net (increase) decrease in amounts receivable under reverse repurchase agreements: (1,219,090) 575,768
- Net decrease in due from banks: (90,803) 9,334,719
- Net increase in loans and advances to customers: (20,664,174) (28,109,177)
- Net decrease (increase) in other assets: 595,180 (1,612,745)
- Net increase in due to banks: 25,001,923 15,532,043
- Net (decrease) increase in customer accounts: (640,298) 32,301,979
- Net decrease in other debt securities in issue: (3,963,892) (1,202,790)
- Net increase in other liabilities: 241,274 179,040

**Net cash received from operating activities:** 4,888,962 (29,833,917)

### Cash flows from investing activities

- Acquisition of premises and equipment and intangible assets: (912,127) (1,141,302)
- Proceeds from disposal of premises and equipment and intangible assets: 470,218 96,056
- Net disposals (purchases) of investment securities available-for-sale: 2,886,592 (3,544,199)
- Proceeds from disposal of investment securities available-for-sale: 38,072 879,291
- Proceeds from redemption of investment securities held-to-maturity: - 129,060
- Proceeds from disposal of investment property: 2,099,901 32,626
- Dividend income received: 28,561 44,984

**Net cash received from (used in) investing activities:** 4,611,217 (3,504,384)

The notes on pages 6 to 81 are an integral part of these consolidated financial statements.
OJSC “Bank Saint Petersburg” Group  
Consolidated Statement of Cash Flows for the Year Ended 31 December 2012

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary shares:</td>
<td>24</td>
<td>-</td>
<td>18 569</td>
</tr>
<tr>
<td>- share capital</td>
<td>24</td>
<td>-</td>
<td>2 704 751</td>
</tr>
<tr>
<td>Issue of bonds</td>
<td></td>
<td>8 067 643</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase of bonds</td>
<td></td>
<td>(2 687 788)</td>
<td>(4 842 898)</td>
</tr>
<tr>
<td>Proceeds from other borrowed funds</td>
<td></td>
<td>459 011</td>
<td>1 685 298</td>
</tr>
<tr>
<td>Repayment of other borrowed funds</td>
<td></td>
<td>(585 606)</td>
<td>(3 401 150)</td>
</tr>
<tr>
<td>Interest paid on bonds issued</td>
<td></td>
<td>(1 050 722)</td>
<td>(1 340 030)</td>
</tr>
<tr>
<td>Interest paid on other borrowed funds</td>
<td></td>
<td>(941 855)</td>
<td>(956 544)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>31</td>
<td>(818 066)</td>
<td>(794 390)</td>
</tr>
</tbody>
</table>

| **Net cash received from (used in) financing activities** |      | 2 442 617 | (6 926 394) |

| **Effects of exchange rate changes on cash and cash equivalents** |      | (779 952) | 191 984 |

| **Net increase in cash and cash equivalents** |      | 11 162 844 | 19 595 123 |
| Cash and cash equivalents at the beginning of the year |      | 32 775 307 | 13 180 184 |

| **Cash and cash equivalents at the end of the year** |      | 43 938 151 | 32 775 307 |
1 Introduction

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 for OJSC “Bank Saint Petersburg” (the “Bank”), its subsidiary Limited Liability Company “BSPB-Trading Systems” and controlled special purpose entity BSPB Finance plc. (together referred to as the “Group” or OJSC “Bank Saint Petersburg” Group).

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as the result of the corporatization process of the former Leningrad regional office of Zhilsotsbank.

As at 31 December 2012 28.1% of the ordinary shares of the Bank are controlled by Mr. A.V. Savelyev (2011: 28.1%). The rest of the management of the Bank controls a further 6.7% of the ordinary shares of the Bank (2011: 6.7%). As at 31 December 2012, “MALVENST INVESTMENTS LIMITED” owns 18.2% of the ordinary shares of the Bank (2011: 18.2%). Mr. A.V. Savelyev has an option maturing at the end 2015 to purchase a 100.0% share in the company “WELLFAME PACIFIC LIMITED”, which owns 100.0% of shares in the share capital of “MALVENST INVESTMENTS LIMITED” (2011: Mr A.V. Savelyev had an option maturing at the end 2015 to purchase a 100.0% share in the company “WELLFAME PACIFIC LIMITED”, which owned 100.0% of shares in the share capital of “MALVENST INVESTMENTS LIMITED”). There is no contractual agreement between any members of the management team and Mr. A.V. Savelyev on joint control of the Bank.

The remaining ordinary shares of the Bank are held as follows: 9.4% of the shares are owned by East Capital Group (2011: the East Capital Group was not a shareholder of the Bank), and 6.2% of the shares are owned by the EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT (2011: 6.2%). As at 31 December 2011 7.5% of the shares were owned by RUSSIAN DEALERSHIPS HOLDING (RDH) LIMITED, controlled by Mr. Yu. I. Pilipenko. The remaining 31.4% (2011: 33.3%) of the shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ “On Retail Deposit Insurance in the Russian Federation” dated 23 December 2003. Indemnity of the deposits placed in respect of which an insured event happens, is paid to a depositor in the amount of 100% of total deposits, but limited to RR 700 thousand.

As at 31 December 2012, the Bank has five branches within the Russian Federation: three branches are located in the North-West region of Russia, one branch is in Moscow, one branch is in Nizhny Novgorod and thirty six outlets (2011: five branches within the Russian Federation: three branches are located in the North-West region of Russia, one branch is in Moscow, one branch is in Nizhny Novgorod and thirty outlets).

The principal activity of Limited Liability Company “BSPB-Trading Systems” is transactions on financial market. BSPB Finance plc., a special purpose entity, is used by the Bank for its Eurobond issue (see note 20). Close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund” is used by the Bank for activities with non-core assets (refer to note 15).

Registered address and place of business. The Bank’s registered address and place of business is: 195112, Russian Federation, Saint Petersburg, Maloohitskij Prospect, 64A.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (RR thousands).
2 Operating Environment of the Group

Russian Federation. The economy of the Russian Federation displays certain characteristics of developing markets including relatively high inflation and interest rates.

This year the financial crisis in Europe affected the Russian economy rather significantly. However, in 2012 the Russian economy experienced economic growth. The GDP real growth rate of the Russian Federation for 2012 according to the estimates of the Russian Federal State Statistics Service was 3.4%. The growth of the Industrial Production Index in 2012 amounted to 4.3% in comparison with the previous year. The economic growth was accompanied by a gradual increase in household income.

At the same time such negative factors as high levels of capital outflow, and fluctuation of exchange rates of the major foreign currencies were observed.

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

The future economic development of the Russian Federation is largely dependent upon the effectiveness of the economic, financial and monetary measures undertaken by the Government, together with the tax, legal, regulatory, and political developments.

Management cannot foresee all factors that can affect the development of the banking sector and the economy as a whole as well as the impact (if any) they can have on the financial position of the Group in the future. Management believes that it takes all the necessary steps to sustain the stability and development of the Group’s business.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by initial recognition of financial instruments at fair value, measurement at fair value of trading securities and financial assets available-for-sale and the revaluation of premises. The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all the periods presented in these consolidated financial statements.

Consolidation. Subsidiaries are companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting shares or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable and convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date when control ceases.

The Group holds zero interest in the share capital of a fully consolidated special purpose entity BSPB Finance plc. However, the Group obtains all the benefits and bears all the risks from the activities of this company. Refer to note 38.
3  Basis of Preparation and Significant Accounting Policies (continued)

The Group holds a 100% interest in a fully consolidated close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund”. Refer to note 38.

Intercompany transactions, balances and unrealized gains arising from intercompany transactions are eliminated; unrealized losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortized cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and stock exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable independent willing parties in an arm’s length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities that are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or the current value of investments are used for determination of the fair value of financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Amortised cost is the historical value of an asset less any principal repayments, plus accrued interest, and for financial assets less any write-off for impairment losses incurred. Accrued interest includes amortization of transaction costs deferred at initial recognition and amortisation of any premium or discount to maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The discounted value calculation includes all fees and charges paid and received between the parties to the contract that form an integral part of the effective interest rate (refer to Income and Expense Recognition Policy).
3 Basis of Preparation and Significant Accounting Policies (continued)

Initial recognition of financial instruments. Trading securities, derivatives and other securities at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value including transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss at initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date when the Group commits to buy or sell financial asset. All other acquisition transactions are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial assets. The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a transfer arrangement while (i) also transferring substantially all the risks and benefits of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and benefits of ownership but not retaining control of the assets. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without imposing additional restrictions on the sale.

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the Group operates. The Bank's and its subsidiaries’ functional currency and the Group’s presentation currency is the national currency of the Russian Federation, i.e. Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official CBRF exchange rate at the respective reporting date. Foreign exchange gains and losses on monetary assets and liabilities translated at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Non-monetary items are translated at historical rates. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

As at 31 December 2012, the official rate of exchange used for translating foreign currency balances was USD 1 = RR 30.3727 and EURO 1 = RR 40.2286  (2011: USD 1 = RR 32.1961 and EURO 1 = RR 41.6714).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognized in due from banks. Amounts that relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortized cost and represent non-interest bearing deposits in the CBRF that are not available to finance day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities include financial assets at fair value through profit or loss that are classified as held for trading, as they are acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within the period from one to six months.
3 Basis of Preparation and Significant Accounting Policies (continued)

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss as interest income. Dividends are included in other operating income when the Group’s right to receive the dividend payment is established and provided the dividend is likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the instrument. Amounts due from banks are carried at amortized cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortized cost.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and that have an impact on the amount or timing of the estimated future cash flows that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when assessing whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine that there is an objective evidence that an impairment loss has occurred:

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems
- the borrower experiences significant financial difficulty as evidenced by financial information that the Group obtains
- the borrower considers bankruptcy or a financial reorganisation
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower
- the value of collateral significantly decreases as a result of deteriorating market conditions
- implementation of the borrower’s investment plans is delayed or
- the Group expects difficulties in servicing the borrower’s debt due to volatility of the borrower’s cash flows caused by its cyclic activity or irregularity of proceeds.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.
3 Basis of Preparation and Significant Accounting Policies (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to decrease the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been currently incurred) discounted at the effective interest rate of the asset. The calculation of the discounted value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment allowance recorded in the statement of financial position after all the necessary procedures to recover the asset fully or partially have been completed and the amount of the loss has been determined.

**Investment securities available-for-sale.** This classification includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Certain types of investment securities available-for-sale are carried at cost when the Group cannot measure their fair value with sufficient level of reliability. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other components of changes in the fair value are recognised directly in equity until the investments are derecognised or impaired, when the cumulative gain or loss previously recognised in other comprehensive income is recognized in profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (loss events) that occurred after the initial recognition of investment securities available-for-sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. Accumulated impairment losses calculated as the difference between the acquisition cost and the current fair value less impairment loss for the asset that was initially recognized in profit or loss are transferred from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

**Advances receivable.** Advances receivable are recognised if the Group makes a prepayment under a contract for services that are not yet provided, and are recorded at amortised cost.
3 Basis of Preparation and Significant Accounting Policies (continued)

Sale and repurchase agreements. Sale and repurchase agreements (“repo agreements”), which effectively provide a lender’s return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by a contract or custom to sell or repledge the securities, in which case they are reclassified as trading securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customer accounts, as appropriate.

Securities purchased under agreements to resell (“reverse repo agreements”), which provide the Group with a creditor’s return, are recorded as amounts receivable under reverse repurchase agreements. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the repo agreements using the effective interest method.

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturity, which management has the firm intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. Investment securities held-to-maturity are measured at amortised cost.

Promissory notes purchased. Promissory notes purchased are included in due from banks and loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for this category of assets.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and impairment, where required.

Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. Any increase in the carrying value as a result of revaluation is recognized in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognized in other comprehensive income and reduces the revaluation reserve previously recognized in equity. All other decreases in value are recognized in profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Construction in progress is carried at cost less impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Costs of minor repairs and maintenance are recognised when incurred. Costs of replacing major parts or components of premises and equipment are capitalised and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.
Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

Premises: 50 years
Office and computer equipment: 5 years
Leasehold improvements: over the term of the underlying lease.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset to the end of its physical life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets. All intangible assets have definite useful lives and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is stated at acquisition cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

Subsequent expenditure is capitalised only when the Group receives the related future economic benefits and the cost can be reliably measured. All other repair and maintenance costs are recognised as an expense as incurred. If the owner occupies the investment property, it is transferred to the category “Premises and Equipment”.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and benefits incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for a year on a straight-line basis over the period of the lease.

Long term assets held-for-sale. Long term assets and disposal groups (which may include both long term and short term assets) are presented in the statement of financial position as long term assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date. These assets are reclassified when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Long term assets or disposal groups classified as held-for-sale in the current period’s statement of financial position are not reclassified or represented in the comparative statement of financial position to reflect the classification at the end of the current reporting period.
3 Basis of Preparation and Significant Accounting Policies (continued)

Long term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale premises and equipment (included in the disposal group) are not depreciated or amortised.

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the statement of financial position.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. The non-derivative financial liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

Other debt securities in issue. Other debt securities in issue include bonds, promissory notes and certificates of deposit issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Other borrowed funds. Other borrowed funds include liabilities to credit and corporate entities and financial institutions attracted for target financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not enter into derivative instruments for hedging purposes.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the reporting date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and previous periods. Taxable profits or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes, other than on income, are recorded in administrative and other operating expenses.

Deferred income tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply in the period when the temporary differences or deferred tax losses will be realized. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions are reassessed by management at every reporting date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the reporting date.
3 Basis of Preparation and Significant Accounting Policies (continued)

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the financial statements where the Group has liabilities (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees. Financial guarantees and letters of credit represent irrevocable commitments to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and letters of credit are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. In the case of commitments to provide loans, if there is a probability that the Group concludes certain loan agreements and is not planning to disburse the loan immediately, such commission income is recognised as future period profit and is included in the loan’s carrying amount upon initial recognition. At each reporting date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the reporting date.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are approved for issue are disclosed in the subsequent events note. The statutory accounting reports are the basis for payment of dividends and other profit distribution. Russian legislation identifies the basis of profit distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method includes as part of interest income and expense, all fees and charges paid and received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee and commission income/expenses attributable to the effective interest rate include fees received or paid in connection with the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

When loans or other debt instruments become doubtful of timely collection, they are written off to recoverable value with subsequent recognition of interest income based on the effective interest rate that was used to discount future cash flows with the purpose of determination of recoverable value.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
3  Basis of Preparation and Significant Accounting Policies (continued)

Fiduciary assets. Assets held by the Group in its own name, but on the account and at the expense of third parties, are not reported in the consolidated statement of financial position. The analysis of such balances and transactions is given in note 35. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Russian Federation previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies” (IAS 29). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. It states that reporting operating results and financial position in the local currency of a hyperinflationary economy without respective adjustment in the financial statements is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Segment reporting. Segment reporting is prepared based on the internal management reports regularly reviewed by the chief operating decision maker. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately.

The Group’s operations are neither seasonal nor cyclic by nature.

4  Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes professional judgments and estimates in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Group makes professional judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.
Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal and interest on 5% of the total loans and advances to customers differs by +/- one month, the allowance would be approximately RR 96 815 thousand higher or lower (2011: RR 96 254 thousand higher or lower).

Revaluation of investment securities available-for-sale. The fair values of investment securities available-for-sale are determined by using valuation methods prepared by management. The market value is assessed using the comparison approach, i.e. comparison with other values of similar entities. For details please refer to note 36.

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value is assessed using sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. For details please refer to note 16. To the extent that the assessed fair value of premises differs by 10%, the effect of the revaluation adjustment would be RR 1 255 024 thousand (before deferred tax) as at 31 December 2012 (2011: RR 1 306 392 thousand).

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs and interpretations became effective for the Group from 1 January 2012.

Disclosures – Transfer of financial assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011) requires additional disclosure of the risk that arises due to transfer of financial assets. The amendment includes the requirement to disclose the following information by classes of financial assets transferred to the counterparty that are listed on the statement of financial position: type, value, description of risks and benefits related to the asset. Disclosure allowing the user to understand the size of the financial liability related to the asset as well as the interrelation between the financial asset and the related financial liability is also required. In case the recognition of asset was ceased but the company is still prone to certain risks and can gain certain benefits related to the transferred asset, additional disclosures to understand the amount of such risk are needed.

6 New accounting pronouncements

The following new standards, amendments to standards and interpretations are not yet effective as at 31 December 2012, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective:

IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
New accounting pronouncements (continued)

IFRS 10 Consolidated Financial Statements will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 11 Joint Arrangements will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from the joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results in a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 12 Disclosure of Interests in Other Entities will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity’s interests in other entities and the effects of those interests on the entity’s financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

IFRS 13 Fair Value Measurement will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

IAS 27 (2011) Separate Financial Statements will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011)
6 New accounting pronouncements (continued)

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.

Except for cases described above, the new standards and interpretations are not expected to significantly affect the consolidated financial statements.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

7 Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>4 744 470</td>
<td>4 847 432</td>
</tr>
<tr>
<td>Cash balances with the CBRF (other than mandatory reserve deposits)</td>
<td>7 012 569</td>
<td>5 015 243</td>
</tr>
<tr>
<td>Correspondent accounts and overnight placements with banks - Russian Federation</td>
<td>381 668</td>
<td>6 690 456</td>
</tr>
<tr>
<td>- other countries</td>
<td>9 800 827</td>
<td>13 272 636</td>
</tr>
<tr>
<td>Settlement accounts with trading systems</td>
<td>21 998 617</td>
<td>2 949 540</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>43 938 151</td>
<td>32 775 307</td>
</tr>
</tbody>
</table>

Settlement accounts with trading systems are mainly represented by brokerage accounts with Russian stock-exchange.

Currency and interest rate analyses of cash and cash equivalents are disclosed in note 33.
8 Trading Securities

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>6 289 390</td>
<td>17 910 871</td>
</tr>
<tr>
<td>Corporate Eurobonds</td>
<td>4 858 333</td>
<td>3 956 403</td>
</tr>
<tr>
<td>Federal loan bonds (OFZ)</td>
<td>231 706</td>
<td>4 058 912</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>52 119</td>
<td>2 489 408</td>
</tr>
<tr>
<td><strong>Total debt securities</strong></td>
<td><strong>11 431 548</strong></td>
<td><strong>28 415 594</strong></td>
</tr>
<tr>
<td>Corporate shares</td>
<td>31 505</td>
<td>628 062</td>
</tr>
<tr>
<td><strong>Total trading securities</strong></td>
<td><strong>11 463 053</strong></td>
<td><strong>29 043 656</strong></td>
</tr>
</tbody>
</table>

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and traded in the Russian market. These bonds have maturity dates from 15 February 2013 to 17 January 2032 (2011: from 21 February 2012 to 16 January 2025); coupon rates of 6.5% - 15.0% p.a. (2011: 6.5% - 19.0% p.a.) and yields to maturity from 2.3% to 14.2% p.a. as at 31 December 2012 (2011: from 1.5% to 13.7% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 18 March 2014 to 13 December 2022 (2011: from 28 January 2012 to 25 October 2017); coupon rates of 4.4% to 8.8% p.a. (2011: 5.1% to 10.3% p.a.) and yields to maturity from 3.1% to 7.2% p.a. as at 31 December 2012 (2011: from 1.4% to 8.0% p.a.).

Federal loan bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 3 June 2015 to 3 August 2016 (2011: from 18 January 2012 to 15 July 2015); coupon rates of 6.5% to 7.0% p.a. (2011: 6.7% to 11.9% p.a.) and yields to maturity from 6.3% to 6.6% p.a. as at 31 December 2012 (2011: from 4.2% to 7.8% p.a.), depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, St. Petersburg, Moscow Region and Samara Region (2011: municipal administrations of Moscow, St. Petersburg, Samara Region and Krasnoyarsk Region). These bonds are sold at a discount to nominal value, have maturity dates from 11 June 2013 to 19 November 2015 (2011: from 27 June 2012 to 19 November 2015); coupon rates of 7.0% to 15.0% p.a. (2011: 7.8% to 15.0% p.a.) and yields to maturity from 6.0% to 8.4% p.a. as at 31 December 2012 (2011: from 6.2% to 7.9% p.a.), depending on the type of bond issue.

Corporate shares are shares of Russian companies and global depositary receipts on shares of Russian companies.

Trading securities are carried at fair value which also reflects the credit risk of these securities.
8 Trading Securities (continued)

Analysis by credit quality of debt trading securities outstanding at 31 December 2012 is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Corporate bonds</th>
<th>Corporate Eurobonds</th>
<th>Federal loan bonds</th>
<th>Municipal bonds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not overdue or impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A</td>
<td>3 209 682</td>
<td>1 599 659</td>
<td>231 706</td>
<td>52 113</td>
<td>5 093 160</td>
</tr>
<tr>
<td>Group B</td>
<td>1 167 171</td>
<td>2 817 163</td>
<td>-</td>
<td>6</td>
<td>3 984 340</td>
</tr>
<tr>
<td>Group C</td>
<td>834 059</td>
<td>441 511</td>
<td>-</td>
<td>-</td>
<td>1 275 570</td>
</tr>
<tr>
<td>Group D</td>
<td>1 078 478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 078 478</td>
</tr>
<tr>
<td><strong>Total debt trading securities</strong></td>
<td><strong>6 289 390</strong></td>
<td><strong>4 858 333</strong></td>
<td><strong>231 706</strong></td>
<td><strong>52 119</strong></td>
<td><strong>11 431 548</strong></td>
</tr>
</tbody>
</table>

Debt trading securities are divided by credit rating of the issuer defined by rating agencies Moody’s, S&P and Fitch into the following groups:

Group A – debt financial securities with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies.

Group B – debt financial securities with credit rating of the issuer between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C – debt financial securities with credit rating of the issuer between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D – debt financial securities with credit rating of the issuer below B-, according to S&P rating agency or equivalent rating of other agencies, and without credit rating.

Analysis by credit quality of debt trading securities outstanding at 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Corporate bonds</th>
<th>Corporate Eurobonds</th>
<th>Federal loan bonds</th>
<th>Municipal bonds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not overdue or impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A</td>
<td>9 538 203</td>
<td>1 235 583</td>
<td>4 058 912</td>
<td>2 489 402</td>
<td>17 322 100</td>
</tr>
<tr>
<td>Group B</td>
<td>4 081 819</td>
<td>2 719 184</td>
<td>-</td>
<td>6</td>
<td>6 801 009</td>
</tr>
<tr>
<td>Group C</td>
<td>1 389 079</td>
<td>1 636</td>
<td>-</td>
<td>-</td>
<td>1 390 715</td>
</tr>
<tr>
<td>Group D</td>
<td>2 901 770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 901 770</td>
</tr>
<tr>
<td><strong>Total debt trading securities</strong></td>
<td><strong>17 910 871</strong></td>
<td><strong>3 956 403</strong></td>
<td><strong>4 058 912</strong></td>
<td><strong>2 489 408</strong></td>
<td><strong>28 415 594</strong></td>
</tr>
</tbody>
</table>


Currency and maturity analyses of trading securities are disclosed in note 33.

In 2008 the Group reclassified certain financial assets from trading securities to investment securities held-to-maturity, loans and advances to customers and due from banks. See notes 12, 13.
9 Trading Securities Pledged Under Sale and Repurchase Agreements

(In thousands of Russian Roubles)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>28 688 598</td>
<td>11 670 446</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>3 873 626</td>
<td>2 930 415</td>
</tr>
<tr>
<td>Corporate Eurobonds</td>
<td>1 881 322</td>
<td>-</td>
</tr>
<tr>
<td>Federal loan bonds (OFZ)</td>
<td>847 493</td>
<td>533 521</td>
</tr>
<tr>
<td><strong>Total trading securities pledged under sale and repurchase agreements</strong></td>
<td><strong>35 291 039</strong></td>
<td><strong>15 134 382</strong></td>
</tr>
</tbody>
</table>

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and traded in the Russian market. These bonds have their maturity dates from 15 February 2013 to 17 February 2032 (2011: from 6 August 2012 to 18 March 2021); coupon rates of 6.8% to 15.0% p.a. (2011: 6.6% to 15.0% p.a.); and yields to maturity from 2.3% to 10.2% p.a. as at 31 December 2012 (2011: from 6.5% to 9.7% p.a.). The term of the corresponding repurchase agreements is between 12 and 14 calendar days (2011: 12 calendar days), with effective rate of 5.6% p.a. (2011: from 5.0% to 5.3% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Saint-Petersburg (2011: municipal administrations of Moscow, Moscow Region, Krasnoyarsk Region). These bonds are sold at a discount to nominal value, have maturity dates from 1 September 2013 to 19 November 2015 (2011: from 5 September 2012 to 21 July 2014); coupon rates of 7.0% to 15.0% p.a. (2011: 8.0% to 14.0% p.a.) and yields to maturity from 6.0% to 7.6% p.a. (2011: from 6.2% to 8.9% p.a.) as at 31 December 2012, depending on the type of bond issue. The term of the corresponding repurchase agreements is 14 calendar days with an effective rate of 5.6% p.a. (2011: 12 calendar days with an effective rate of 5.3% p.a.).

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies traded in the Russian market (2011: there were no corporate Eurobonds). Corporate Eurobonds have maturity date 20 February 2015; a coupon rate of 3.3% p.a. and yield to maturity of 1.4% p.a. as at 31 December 2012. The term of the corresponding repurchase agreements is 14 calendar days with an effective rate of 5.6% p.a. (2011: none).

Federal loan bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 15 July 2015 to 3 August 2016 (2011: 17 October 2012); coupon rates of 6.5% to 6.9% p.a. (2011: 11.3% p.a.) and yields to maturity from 6.4% to 6.6% p.a. depending on the type of bond issue (2011: 6.1% p.a.) as at 31 December 2012. The term of the corresponding repurchase agreements is 14 calendar days with an effective rate of 5.6% p.a. (2011: 12 calendar days with an effective rate of 5.3% p.a.).

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2012 by their credit quality is as follows:

(In thousands of Russian Roubles)

<table>
<thead>
<tr>
<th></th>
<th>Corporate bonds</th>
<th>Municipal bonds</th>
<th>Corporate Eurobonds</th>
<th>Federal loan bonds (OFZ)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>18 299 060</td>
<td>3 873 626</td>
<td>1 881 322</td>
<td>847 493</td>
<td>24 901 501</td>
</tr>
<tr>
<td>Group B</td>
<td>8 906 688</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8 906 688</td>
</tr>
<tr>
<td>Group C</td>
<td>1 482 850</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 482 850</td>
</tr>
<tr>
<td><strong>Total debt trading securities pledged under sale and repurchase agreements</strong></td>
<td><strong>28 688 598</strong></td>
<td><strong>3 873 626</strong></td>
<td><strong>1 881 322</strong></td>
<td><strong>847 493</strong></td>
<td><strong>35 291 039</strong></td>
</tr>
</tbody>
</table>
9  Trading Securities Pledged Under Sale and Repurchase Agreements (continued)

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2011 by their credit quality is as follows:

<table>
<thead>
<tr>
<th>(In thousands of Russian Roubles)</th>
<th>Corporate bonds</th>
<th>Municipal bonds</th>
<th>Federal loan bonds (OFZ)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>9 385 679</td>
<td>2 867 212</td>
<td>533 521</td>
<td>12 786 412</td>
</tr>
<tr>
<td>Group B</td>
<td>2 011 819</td>
<td>63 203</td>
<td>-</td>
<td>2 075 022</td>
</tr>
<tr>
<td>Group C</td>
<td>142 314</td>
<td>-</td>
<td>-</td>
<td>142 314</td>
</tr>
<tr>
<td>Group D</td>
<td>130 634</td>
<td>-</td>
<td>-</td>
<td>130 634</td>
</tr>
<tr>
<td>Total debt trading securities</td>
<td>11 670 446</td>
<td>2 930 415</td>
<td>533 521</td>
<td>15 134 382</td>
</tr>
</tbody>
</table>

For definition of Groups refer to note 8.

The Group transfers or sells securities under agreements to repurchase to a third party as collateral for borrowed funds. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received included in due to banks and customer accounts as appropriate (note 18 and 19).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as intermediary.

As at 31 December 2012 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 30 800 712 thousand (2011: RR 13 490 520 thousand). Refer to note 18.

As at 31 December 2012 there are no sale and repurchase agreements with legal entities included in customer accounts (2011: RR 8 499 thousand). Refer to note 19.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in note 33.

10  Financial Instruments at Fair Value Through Profit or Loss

<table>
<thead>
<tr>
<th>(In thousands of Russian Roubles)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit linked notes</td>
<td>608 568</td>
<td>-</td>
</tr>
<tr>
<td>Total financial instruments at fair value through profit or loss</td>
<td>608 568</td>
<td>-</td>
</tr>
</tbody>
</table>

In May 2012 the Group purchased credit linked notes with a nominal value of USD 20 000 thousand from Deutsche Bank AG at nominal value that mature on 20 June 2013, and have a coupon rate of 6.0%, and yield to maturity of 6.0% p.a. as at 31 December 2012. The note incorporates credit default swap (CDS) connected to the credit risk of VTB.

Management classifies financial instruments with embedded derivatives as financial instruments at fair value through profit or loss.

As at 31 December 2012 international ratings of Deutsche Bank AG and VTB are A+ (Fitch and S&P) and BBB (Fitch and S&P), respectively.

Currency and maturity structure of financial instruments at fair value through profit or loss is presented in note 33.
11 Amounts Receivable Under Reverse Repurchase Agreements

(In thousands of Russian Roubles)

<table>
<thead>
<tr>
<th>Amounts receivable under reverse repurchase agreements with customers</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,464,666</td>
<td>2,889,357</td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements with banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,617,732</td>
<td>4,959,655</td>
</tr>
</tbody>
</table>

Total amounts receivable under reverse repurchase agreements 9,082,398 7,849,012

As at 31 December 2012 amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by federal loan bonds (OFZ), corporate bonds and corporate shares (2011: federal loan bonds (OFZ), municipal bonds, corporate bonds and corporate shares). As at 31 December 2012 the fair value of securities that serve as collateral under reverse repurchase agreements is RR 11,669,535 thousand (2011: RR 9,234,418 thousand), out of which corporate shares with a fair value of RR 3,341,325 thousand, corporate bonds with a fair value of RR 1,800,752 thousand and federal loan bonds (OFZ) with a fair value of RR 947,813 thousand are pledged under sale and repurchase agreements (2011: corporate bonds with a fair value of RR 6,898 thousand and federal loan bonds (OFZ) with a fair value of RR 504,289 thousand). In all cases, collateral securing individual reverse repurchase agreements equals or exceeds the amount of the accounts receivable.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements are disclosed in note 33.

12 Due from Banks

(In thousands of Russian Roubles)

<table>
<thead>
<tr>
<th>Term placements with banks</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,916,959</td>
<td>3,005,242</td>
</tr>
<tr>
<td>Allowance for impairment</td>
<td>(17,800)</td>
<td>(6,589)</td>
</tr>
</tbody>
</table>

Total due from banks 2,899,159 2,998,653

Movements in the allowance for impairment of due from banks are as follows:

<table>
<thead>
<tr>
<th>Allowance for impairment as at 1 January</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,589</td>
<td>566</td>
</tr>
<tr>
<td>Provision for impairment during the year</td>
<td>11,211</td>
<td>6,023</td>
</tr>
</tbody>
</table>

Allowance for impairment as at 31 December 17,800 6,589

As at 31 December 2012, the carrying value of securities reclassified in 2008 to due from banks amounts to RR 582,341 thousand before the allowance for impairment (2011: RR 667,858 thousand).

Reclassified securities with a carrying value of RR 582,337 thousand are securities pledged under repurchase agreements in due to banks. As at 31 December 2012 the fair value of these securities amounts to RR 580,587 thousand (2011: RR 442,251 thousand). Refer to note 18.

The Bank uses a system of limits for granting loans to banks, as shown in note 33. The current interbank loan portfolio is used for short-term placement of temporarily available cash.
12 Due from Banks (continued)

Analysis by credit quality of term placements with banks as at 31 December 2012 is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Interbank loans and deposits</th>
<th>Securities reclassified in 2008 into due from banks</th>
<th>Promissory notes of other banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>60 138</td>
<td>501 823</td>
<td>493 624</td>
<td>1 055 585</td>
</tr>
<tr>
<td>Group C</td>
<td>1 780 856</td>
<td>80 518</td>
<td>-</td>
<td>1 861 374</td>
</tr>
<tr>
<td><strong>Total term placements with banks</strong></td>
<td><strong>1 840 994</strong></td>
<td><strong>582 341</strong></td>
<td><strong>493 624</strong></td>
<td><strong>2 916 959</strong></td>
</tr>
</tbody>
</table>

Term placements with banks are divided by credit quality depending on the credit rating of the credit organization defined by rating agencies Moody’s, S&P and Fitch into the following groups:

Group A – credit organizations with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies,

Group B – credit organizations with credit rating of the issuer between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C – credit organizations with credit rating of the issuer between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D – credit organizations with credit rating of the issuer below B-, according to S&P rating agency or equivalent rating of other agencies, and without credit rating.

Analysis by credit quality of term placements with banks as at 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Interbank loans and deposits</th>
<th>Securities reclassified in 2008 into due from banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>1 159 248</td>
<td>501 592</td>
<td>1 660 840</td>
</tr>
<tr>
<td>Group B</td>
<td>578 136</td>
<td>85 862</td>
<td>663 998</td>
</tr>
<tr>
<td>Group C</td>
<td>-</td>
<td>80 404</td>
<td>80 404</td>
</tr>
<tr>
<td>Group D</td>
<td>600 000</td>
<td>-</td>
<td>600 000</td>
</tr>
<tr>
<td><strong>Total term placements with banks</strong></td>
<td><strong>2 337 384</strong></td>
<td><strong>667 858</strong></td>
<td><strong>3 005 242</strong></td>
</tr>
</tbody>
</table>

Loans to banks are not secured. No placements with banks are impaired or past due.

Currency, maturity and interest rate analyses of due from banks are disclosed in note 33.

13 Loans and Advances to Customers

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- loans to finance working capital</td>
<td>148 714 049</td>
<td>149 259 268</td>
</tr>
<tr>
<td>- investment loans</td>
<td>58 806 465</td>
<td>56 124 976</td>
</tr>
<tr>
<td>- loans to entities financed by the government</td>
<td>16 238 473</td>
<td>9 838 219</td>
</tr>
<tr>
<td><strong>Loans to individuals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- mortgage loans</td>
<td>11 605 606</td>
<td>7 836 465</td>
</tr>
<tr>
<td>- car loans</td>
<td>2 620 226</td>
<td>1 248 144</td>
</tr>
<tr>
<td>- consumer loans to VIP clients</td>
<td>4 461 511</td>
<td>4 713 446</td>
</tr>
<tr>
<td>- other loans to individuals</td>
<td>4 057 101</td>
<td>2 236 824</td>
</tr>
<tr>
<td>Allowance for impairment</td>
<td>(24 124 511)</td>
<td>(21 350 274)</td>
</tr>
<tr>
<td><strong>Total loans and advances to customers</strong></td>
<td><strong>222 378 920</strong></td>
<td><strong>209 907 068</strong></td>
</tr>
</tbody>
</table>
13 Loans and Advances to Customers (continued)

As at 31 December 2012 the carrying value of securities reclassified to loans and advances to customers in 2008 amounts to RR 421 146 thousand before impairment (2011: RR 832 433 thousand).

Reclassified securities with a carrying value of RR 416 111 thousand are securities pledged under repurchase agreements in due to banks. As at 31 December 2012 the fair value of these securities amounts to RR 433 514 thousand (2011: Reclassified securities with a carrying value of RR 570 882 thousand are securities pledged under repurchase agreements in due to banks. The fair value of these securities amounts to RR 606 856 thousand). Refer to note 18.

Movements in the allowance for loan impairment during 2012 are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Corporate loans</th>
<th>Loans to individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for impairment at 31 December 2011</td>
<td>15 819 683</td>
<td>4 521 475</td>
</tr>
<tr>
<td>Provision (recovery) for impairment during the year</td>
<td>6 039 360</td>
<td>127 829</td>
</tr>
<tr>
<td>Loans sold</td>
<td>(433 155)</td>
<td>-</td>
</tr>
<tr>
<td>Amounts written off as non-recoverable</td>
<td>(2 810 323)</td>
<td>(117 822)</td>
</tr>
<tr>
<td>Total</td>
<td>6 378 726</td>
<td>(444 649)</td>
</tr>
</tbody>
</table>

| Allowance for impairment at 31 December 2012 | 18 615 565 | 4 531 482 |
| Provision (recovery) for impairment during the year | 3 752 093 | 38 945 |
| Loans sold | (777 836) | - |
| Amounts written off as non-recoverable | (752 783) | (24 159) |
| Total | 3 496 876 | (803 859) |

Movements in the allowance for loan impairment during 2011 are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Corporate loans</th>
<th>Loans to individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for impairment at 31 December 2010</td>
<td>13 598 209</td>
<td>4 506 689</td>
</tr>
<tr>
<td>Provision (recovery) for impairment during the year</td>
<td>3 752 093</td>
<td>38 945</td>
</tr>
<tr>
<td>Loans sold</td>
<td>(777 836)</td>
<td>-</td>
</tr>
<tr>
<td>Amounts written off as non-recoverable</td>
<td>(752 783)</td>
<td>(24 159)</td>
</tr>
<tr>
<td>Total</td>
<td>3 496 876</td>
<td>(803 859)</td>
</tr>
</tbody>
</table>

| Allowance for impairment at 31 December 2011 | 15 819 683 | 4 521 475 |
| Provision (recovery) for impairment during the year | 3 752 093 | 38 945 |
| Loans sold | (777 836) | - |
| Amounts written off as non-recoverable | (752 783) | (24 159) |
| Total | 3 496 876 | (803 859) |
Economic sector risk concentrations within the customer loan portfolio as at 31 December are as follows:

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>2012 Amount</th>
<th>2012 %</th>
<th>2011 Amount</th>
<th>2011 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>34 962 243</td>
<td>14.2</td>
<td>30 114 469</td>
<td>13.0</td>
</tr>
<tr>
<td>Leasing and financial services</td>
<td>27 900 667</td>
<td>11.3</td>
<td>27 383 215</td>
<td>11.8</td>
</tr>
<tr>
<td>Trade</td>
<td>27 783 619</td>
<td>11.3</td>
<td>26 612 935</td>
<td>11.5</td>
</tr>
<tr>
<td>Heavy machinery and ship building</td>
<td>24 673 744</td>
<td>10.0</td>
<td>30 574 200</td>
<td>13.2</td>
</tr>
<tr>
<td>Individuals</td>
<td>22 744 444</td>
<td>9.2</td>
<td>16 034 879</td>
<td>6.9</td>
</tr>
<tr>
<td>Real estate</td>
<td>21 566 300</td>
<td>8.7</td>
<td>21 568 270</td>
<td>9.3</td>
</tr>
<tr>
<td>Production and food industry</td>
<td>18 288 054</td>
<td>7.4</td>
<td>14 426 340</td>
<td>6.2</td>
</tr>
<tr>
<td>Organisations financed by the government</td>
<td>17 186 936</td>
<td>7.0</td>
<td>9 383 220</td>
<td>4.3</td>
</tr>
<tr>
<td>Extraction and transportation of oil and gas</td>
<td>16 399 614</td>
<td>6.7</td>
<td>17 179 939</td>
<td>7.4</td>
</tr>
<tr>
<td>Transport</td>
<td>7 649 308</td>
<td>3.1</td>
<td>9 417 183</td>
<td>4.1</td>
</tr>
<tr>
<td>Energy</td>
<td>6 637 383</td>
<td>2.7</td>
<td>5 007 088</td>
<td>2.2</td>
</tr>
<tr>
<td>Sports and health and entertainment organisations</td>
<td>6 320 276</td>
<td>2.6</td>
<td>7 278 856</td>
<td>3.1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3 061 887</td>
<td>1.2</td>
<td>3 673 659</td>
<td>1.6</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>691 285</td>
<td>0.3</td>
<td>2 101 012</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td>10 637 671</td>
<td>4.3</td>
<td>10 047 077</td>
<td>4.5</td>
</tr>
</tbody>
</table>

| Total loans and advances to customers (before allowance for impairment) | 246 503 431 | 100.0 | 231 257 342 | 100.0 |

As at 31 December 2012, the 20 largest groups of borrowers have aggregated loan amounts of RR 81 077 349 thousand (2011: RR 74 573 078 thousand), or 32.9% (2011: 32.2%) of the loan portfolio before impairment.
13 Loans and Advances to Customers (continued)

Loans and advances to customers and the related allowance for impairment as well as their credit quality analysis as at 31 December 2012 are as follows:

<table>
<thead>
<tr>
<th>Loans and advances to customers</th>
<th>Gross loans and advances to customers</th>
<th>Allowance for impairment</th>
<th>Net loans and advances to customers</th>
<th>Allowance for impairment to loans and advances to customers, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans and advances to legal entities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans collectively assessed for impairment, but not individually impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard loans not past due</td>
<td>177 749 879</td>
<td>(5 866 194)</td>
<td>171 883 685</td>
<td>3.30</td>
</tr>
<tr>
<td>Watch list loans not past due</td>
<td>13 405 600</td>
<td>(967 235)</td>
<td>12 438 365</td>
<td>7.22</td>
</tr>
<tr>
<td>Individually assessed loans, for which specific indications of impairment have been identified</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>20 716 804</td>
<td>(7 615 450)</td>
<td>13 101 354</td>
<td>36.76</td>
</tr>
<tr>
<td>Overdue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 5 calendar days</td>
<td>80 780</td>
<td>(1 813)</td>
<td>78 967</td>
<td>2.24</td>
</tr>
<tr>
<td>- 6 to 30 calendar days</td>
<td>1 379 277</td>
<td>(1 257 548)</td>
<td>121 729</td>
<td>91.17</td>
</tr>
<tr>
<td>- 181 to 365 calendar days</td>
<td>2 573 143</td>
<td>(1 680 901)</td>
<td>892 242</td>
<td>65.32</td>
</tr>
<tr>
<td>- more than 365 calendar days</td>
<td>7 752 555</td>
<td>(6 032 949)</td>
<td>1 719 606</td>
<td>77.82</td>
</tr>
<tr>
<td>Uncollectible loans</td>
<td>100 949</td>
<td>(100 949)</td>
<td>-</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Total loans and advances to legal entities</strong></td>
<td>223 758 987</td>
<td>(23 523 039)</td>
<td>200 235 948</td>
<td>10.51</td>
</tr>
</tbody>
</table>

| Loans and advances to individuals: |                                      |                          |                                   |                                                             |
| - mortgage loans | 11 605 606 | (237 246) | 11 368 360 | 2.04 |
| - car loans | 2 620 226 | (47 245) | 2 572 981 | 1.80 |
| - consumer loans to VIP clients | 4 461 511 | (223 532) | 4 237 979 | 5.01 |
| - other loans to individuals | 4 057 101 | (93 449) | 3 963 652 | 2.30 |
| **Total loans and advances to individuals** | 22 744 444 | (601 472) | 22 142 972 | 2.64 |

| **Total loans and advances to customers** | 246 503 431 | (24 124 511) | 222 378 920 | 9.79 |
### Loans and Advances to Customers (continued)

**In thousands of Russian Roubles**

<table>
<thead>
<tr>
<th>Loans to individuals</th>
<th>Mortgage loans</th>
<th>Car loans</th>
<th>Consumer loans to VIP clients</th>
<th>Other loans to individuals</th>
<th>Total loans and advances to individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard loans not past due</td>
<td>11 284 663</td>
<td>2 566 667</td>
<td>4 090 370</td>
<td>3 972 520</td>
<td>21 914 220</td>
</tr>
<tr>
<td>Overdue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 5 calendar days overdue</td>
<td>-</td>
<td>2 732</td>
<td>-</td>
<td>4 038</td>
<td>6 770</td>
</tr>
<tr>
<td>- 6 to 30 calendar days</td>
<td>41 372</td>
<td>1 921</td>
<td>18 518</td>
<td>4 739</td>
<td>66 550</td>
</tr>
<tr>
<td>- 31 to 60 calendar days</td>
<td>22 793</td>
<td>4 842</td>
<td>-</td>
<td>4 634</td>
<td>32 269</td>
</tr>
<tr>
<td>- 61 to 90 calendar days</td>
<td>17 926</td>
<td>1 631</td>
<td>-</td>
<td>1 500</td>
<td>21 057</td>
</tr>
<tr>
<td>- 91 to 180 calendar days</td>
<td>43 818</td>
<td>2 503</td>
<td>42 558</td>
<td>5 738</td>
<td>94 617</td>
</tr>
<tr>
<td>- 181 to 365 calendar days</td>
<td>20 631</td>
<td>1 849</td>
<td>35 148</td>
<td>18 977</td>
<td>276 605</td>
</tr>
<tr>
<td>- more than 365 calendar days</td>
<td>174 403</td>
<td>38 081</td>
<td>74 917</td>
<td>44 955</td>
<td>332 356</td>
</tr>
</tbody>
</table>

**Total loans and advances to individuals (before allowance for impairment)**

| 11 605 606 | 2 620 226 | 4 461 511 | 4 057 101 | 22 744 444 |

**Allowance for impairment**

| (237 246) | (47 245) | (223 532) | (93 449) | (601 472) |

**Total loans and advances to individuals (after allowance for impairment)**

| 11 368 360 | 2 572 981 | 4 237 979 | 3 963 652 | 22 142 972 |
13 Loans and Advances to Customers (continued)

Loans and advances to customers and the related allowance for impairment as well as their credit quality analysis as at 31 December 2011 are as follows:

<table>
<thead>
<tr>
<th>Gross loans and advances to customers</th>
<th>Allowance for impairment</th>
<th>Net loans and advances to customers</th>
<th>Allowance for impairment to loans and advances to customers, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to legal entities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans collectively assessed for impairment, but not individually impaired</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard loans not past due</td>
<td>178,301,417</td>
<td>(7,305,185)</td>
<td>170,996,232</td>
</tr>
<tr>
<td>Watch list loans not past due</td>
<td>9,406,468</td>
<td>(1,056,513)</td>
<td>8,349,955</td>
</tr>
<tr>
<td>Individually assessed loans, for which specific indications of impairment have been identified</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>15,299,756</td>
<td>(4,203,059)</td>
<td>11,096,697</td>
</tr>
<tr>
<td>Overdue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 5 calendar days</td>
<td>18,631</td>
<td>(1,845)</td>
<td>16,786</td>
</tr>
<tr>
<td>- 6 to 30 calendar days</td>
<td>8,184</td>
<td>(1,637)</td>
<td>6,547</td>
</tr>
<tr>
<td>- 31 to 60 calendar days</td>
<td>3,326,030</td>
<td>(1,791,113)</td>
<td>1,534,917</td>
</tr>
<tr>
<td>- 61 to 90 calendar days</td>
<td>668,326</td>
<td>(129,964)</td>
<td>538,362</td>
</tr>
<tr>
<td>- 91 to 180 calendar days</td>
<td>440,525</td>
<td>(88,105)</td>
<td>352,420</td>
</tr>
<tr>
<td>- 181 to 365 calendar days</td>
<td>1,202,741</td>
<td>(883,845)</td>
<td>318,896</td>
</tr>
<tr>
<td>- more than 365 calendar days</td>
<td>4,200,203</td>
<td>(2,624,976)</td>
<td>1,575,227</td>
</tr>
<tr>
<td>Uncollectible loans</td>
<td>2,350,182</td>
<td>(2,350,182)</td>
<td>-</td>
</tr>
<tr>
<td>Total loans and advances to legal entities</td>
<td>215,222,463</td>
<td>(20,436,424)</td>
<td>194,786,039</td>
</tr>
</tbody>
</table>

| Loans and advances to individuals:  |                          |                                    |                                                               |
| - mortgage loans                     | 7,836,465                | (367,702)                          | 7,468,763                                                   | 4.69                                                          |
| - car loans                          | 1,248,144                | (83,618)                           | 1,164,526                                                   | 6.70                                                          |
| - consumer loans to VIP clients       | 4,713,446                | (375,449)                          | 4,337,997                                                   | 7.97                                                          |
| - other loans to individuals          | 2,236,824                | (87,081)                           | 2,149,743                                                   | 3.89                                                          |
| Total loans and advances to individuals | 16,034,879               | (913,850)                          | 15,121,029                                                  | 5.70                                                          |
| Total loans and advances to customers | 231,257,342              | (21,350,274)                       | 209,907,068                                                 | 9.23                                                          |
13 Loans and Advances to Customers (continued)

**In thousands of Russian Roubles**

<table>
<thead>
<tr>
<th>Loans to individuals</th>
<th>Mortgage loans</th>
<th>Car loans</th>
<th>Consumer loans to VIP clients</th>
<th>Other loans to individuals</th>
<th>Total loans and advances to individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard loans not past due</td>
<td>7,306,872</td>
<td>1,153,007</td>
<td>4,435,170</td>
<td>2,152,130</td>
<td>15,047,179</td>
</tr>
<tr>
<td>Overdue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 5 calendar days overdue</td>
<td>2,725</td>
<td>5,099</td>
<td>-</td>
<td>5,968</td>
<td>13,792</td>
</tr>
<tr>
<td>- 6 to 30 calendar days</td>
<td>125,765</td>
<td>10,124</td>
<td>-</td>
<td>5,119</td>
<td>141,008</td>
</tr>
<tr>
<td>- 31 to 60 calendar days</td>
<td>35,588</td>
<td>3,799</td>
<td>-</td>
<td>597</td>
<td>39,984</td>
</tr>
<tr>
<td>- 61 to 90 calendar days</td>
<td>18,470</td>
<td>531</td>
<td>-</td>
<td>16,417</td>
<td>35,418</td>
</tr>
<tr>
<td>- 91 to 180 calendar days</td>
<td>53,612</td>
<td>3,284</td>
<td>-</td>
<td>18,964</td>
<td>75,860</td>
</tr>
<tr>
<td>- 181 to 365 calendar days</td>
<td>39,720</td>
<td>8,229</td>
<td>-</td>
<td>5,327</td>
<td>53,276</td>
</tr>
<tr>
<td>- more than 365 calendar days</td>
<td>253,713</td>
<td>64,071</td>
<td>278,276</td>
<td>32,302</td>
<td>628,362</td>
</tr>
</tbody>
</table>

**Total loans and advances to individuals (before allowance for impairment)**

|                      | 7,836,465     | 1,248,144 | 4,713,446                     | 2,236,824                 | 16,034,879                             |

**Allowance for impairment**

|                      | (367,702)     | (83,618)  | (375,449)                     | (87,081)                  | (913,850)                              |

**Total loans and advances to individuals (after allowance for impairment)**

|                      | 7,468,763     | 1,164,526 | 4,337,997                     | 2,149,743                 | 15,121,029                             |

Management estimates loan impairment for individually assessed loans to legal entities, for which specific indications of impairment have been identified, based on an analysis of the expected future cash flows based primarily on collateral. The principal collateral taken into account in the estimation of future cash-flows comprises real estate. Valuations for real estate are discounted by 30-50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment are identified, in determining the impairment allowance, the Group adjusts historic loss rates to factor in the deterioration/improvement of the loan portfolio, as evidenced by the rate of increase/decrease in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management’s estimate of the losses in the portfolio as at 31 December 2012 and 31 December 2011. The value of collateral is not taken into account when estimating impairment. The financial effect of collateral on measuring credit risk is nil.

The Group estimates the impairment allowance of loans to individuals collectively assessed for impairment and individually assessed for impairment for which no indications of impairment have been identified based on its past historical loss experience. Management adjusts historic loss rates to factor in the current deteriorating/improvement of the loan portfolio. The principal collateral taken into account in the estimation of future cash-flows comprises mainly real estate and cars. Valuations for real estate and cars are discounted by 10-20 percent to reflect current market conditions.

Loans and advances to customers are classified as “Standard loans not past due” when they do not have any overdue payments as at the reporting date and management does not have any information indicating that the borrower is not able to repay the loan in full and in time.

Loans and advances to customers are classified as “Watch list loans not past due” when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including the external environment, indicates the stable position of the borrower, however there are some negative factors that may have an impact on the ability of the borrower to repay its loan in the future on a timely basis.
13 Loans and Advances to Customers (continued)

The primary factors that the Group considers when deciding whether a loan is individually impaired are its overdue/restructured status and/or occurrence of any factors that may make it doubtful whether the borrowers are able to repay the full amounts owed to the Group on a timely basis.

The following table provides fair value information on collateral securing loans to corporate customers, net of impairment, by types of collateral presented on the basis of excluding overcollateralization at 31 December 2012 and 2011:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>806 044</td>
<td>3 089 715</td>
</tr>
<tr>
<td>Real estate</td>
<td>84 245 660</td>
<td>76 288 714</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>325 763</td>
<td>39 827</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>18 114 548</td>
<td>16 821 534</td>
</tr>
<tr>
<td>Guarantees</td>
<td>55 454 694</td>
<td>45 552 753</td>
</tr>
<tr>
<td>Other collateral</td>
<td>25 409 087</td>
<td>35 720 827</td>
</tr>
<tr>
<td>No collateral</td>
<td>15 880 152</td>
<td>17 272 669</td>
</tr>
</tbody>
</table>

Total collateral for corporate loans | 200 235 948 | 194 786 039 |

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

The Group has standard non-delinquent loans, for which fair value of collateral was assessed at the loan inception date and not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date.

Information on valuation of collateral is based on when this estimate was made, if any. For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

There are highly reliable borrowers included in loans to finance working capital, for which the Group considers it appropriate to issue loans without collateral.

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars.

Management estimates that the impairment allowance on loans to corporate customers would have been RUB 18 093 112 thousand higher without taking into consideration collateral value (2011: RUB 18 618 406 thousand).

Interest income on overdue and impaired loans during 2012 amounts to RR 637 820 thousand (2011: RR 906 218 thousand).

Currency and maturity and interest rate analyses of loans and advances to customers are disclosed in note 33. The information on related party balances is disclosed in note 37.

14 Investment Securities Available-For-Sale

Investment securities available-for-sale are represented by corporate shares of Russian and foreign companies.

Some of these investment securities do not have a quoted market price in an active market and their value cannot be reliably measured. These securities are accounted at cost. As at 31 December 2012 the fair value of securities which can be reliably measured amounts to RR 3 317 843 thousand (2011: RR 3 774 109 thousand), refer to note 36.

Currency and maturity analyses of investment securities available-for-sale are disclosed in note 33.
15 Investment Property

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>2 638 631</td>
<td>2 638 631</td>
</tr>
<tr>
<td>Premises</td>
<td>220 447</td>
<td>1 924 186</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(3 322)</td>
<td>(38 484)</td>
</tr>
<tr>
<td><strong>Total investment property</strong></td>
<td><strong>2 855 756</strong></td>
<td><strong>4 524 333</strong></td>
</tr>
</tbody>
</table>

Changes in investment property during the year are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January</td>
<td>4 562 817</td>
<td>3 956 820</td>
</tr>
<tr>
<td>Receipts</td>
<td>-</td>
<td>638 623</td>
</tr>
<tr>
<td>Transfers from other categories</td>
<td>220 447</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1 924 186)</td>
<td>(32 626)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December</strong></td>
<td><strong>2 859 078</strong></td>
<td><strong>4 562 817</strong></td>
</tr>
</tbody>
</table>

The fair value of investment property as at 31 December 2012 is RR 3 254 435 thousand (2011: RR 5 100 515 thousand).

Fair values of investment property are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has experience in valuation of investment property of similar location and category. The fair value is assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale.
16 Premises, Equipment and Intangible Assets

### In thousands of Russian Roubles

<table>
<thead>
<tr>
<th>Note</th>
<th>Premises</th>
<th>Office and computer equipment</th>
<th>Construction in progress</th>
<th>Intangible assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost as at 1 January 2011</td>
<td>5 312 573</td>
<td>1 692 120</td>
<td>5 795 157</td>
<td>6 521</td>
<td>12 806 371</td>
</tr>
<tr>
<td>Accumulated depreciation and amortisation</td>
<td>(109 049)</td>
<td>(928 530)</td>
<td>-</td>
<td>(6 039)</td>
<td>(1 043 618)</td>
</tr>
</tbody>
</table>

### Net book amount as at 1 January 2011

| | 5 203 524 | 763 590 | 5 795 157 | 482 | 11 762 753 |
| Additions | 539 221 | 563 817 | 32 916 | 5 348 | 1 141 302 |
| Transfers between categories | 5 783 900 | 1 138 | (5 785 038) | - | - |
| Disposals | (19 714) | (3 924) | - | (23 638) |
| Depreciation and amortisation charge | 28 | (176 892) | (301 834) | - | (479 725) |
| Revaluation | 1 734 105 | - | - | - | 1 734 105 |
| Impairment allowance | (228) | - | - | - | (228) |

### Net book amount as at 31 December 2011

| | 13 063 916 | 1 022 787 | 43 035 | 4 771 | 14 134 509 |
| Cost as at 31 December 2011 | 13 064 144 | 2 227 842 | 43 035 | 11 869 | 15 346 890 |
| Accumulated depreciation and amortisation | (228) | (1 205 055) | - | (7 098) | (1 212 381) |

### Net book amount as at 31 December 2011

| | 13 063 916 | 1 022 787 | 43 035 | 4 771 | 14 134 509 |
| Additions | 172 550 | 349 860 | 386 236 | 3 481 | 912 127 |
| Transfers between categories | - | 32 075 | (32 075) | - | - |
| Disposals | (659 752) | (18 864) | - | - | (678 616) |
| Depreciation and amortisation charge | 28 | (281 257) | (367 979) | - | (651 236) |
| Revaluation | 254 740 | - | - | - | 254 740 |
| Impairment allowance recovery | 40 | - | - | - | 40 |

### Net book amount as at 31 December 2012

| | 12 550 237 | 1 017 879 | 397 196 | 6 369 | 13 971 681 |
| Cost as at 31 December 2012 | 12 550 425 | 2 416 003 | 397 196 | 15 350 | 15 378 974 |
| Accumulated depreciation and impairment loss | (188) | (1 398 124) | - | (8 981) | (1 407 293) |

Construction in progress in 2011 mainly consists of construction of head office and refurbishment of branch and outlet premises.

Premises were valued as at 31 December 2012 by an independent appraiser. The valuation was based on the market comparisons.

As at 31 December 2012 the carrying value includes revaluation of premises in the total amount of RR 4 173 787 thousand (2011: RR 4 182 877 thousand). The Group has recorded a deferred tax liability of RR 834 756 thousand related to the amount of the revaluation reserve (2011: RR 836 574 thousand).

If premises were recorded at cost less accumulated depreciation, their carrying value as at 31 December 2012 would amount to RR 8 928 413 thousand (2011: RR 9 137 042 thousand).
17 Other Assets

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic cards receivables</td>
<td>605 756</td>
<td>370 364</td>
</tr>
<tr>
<td>Fair value of derivative financial instruments</td>
<td>394 006</td>
<td>823 657</td>
</tr>
<tr>
<td>Settlements on operations with securities</td>
<td>41 559</td>
<td>-</td>
</tr>
<tr>
<td>Receivables for fees from customers</td>
<td>33 895</td>
<td>21 184</td>
</tr>
<tr>
<td><strong>Total other financial assets</strong></td>
<td><strong>1 075 216</strong></td>
<td><strong>1 215 205</strong></td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>733 701</td>
<td>606 837</td>
</tr>
<tr>
<td>Receivables and advances</td>
<td>265 062</td>
<td>419 960</td>
</tr>
<tr>
<td>Prepaid taxes</td>
<td>31 453</td>
<td>725 181</td>
</tr>
<tr>
<td>Prepaid rent</td>
<td>28 295</td>
<td>11 378</td>
</tr>
<tr>
<td>Other</td>
<td>65 659</td>
<td>259 691</td>
</tr>
<tr>
<td><strong>Total other non-financial assets</strong></td>
<td><strong>1 124 170</strong></td>
<td><strong>2 023 047</strong></td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td><strong>2 199 386</strong></td>
<td><strong>3 238 252</strong></td>
</tr>
</tbody>
</table>

Other financial assets of the Group do not include individually impaired and overdue assets. No provision was created for other financial assets in 2012 and 2011.

Receivables and advances relate to the purchase of new computer software and equipment, as well as prepayments for repair works on existing premises.

Currency and maturity analyses of other assets are disclosed in note 33.

18 Due to Banks

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale and repurchase agreements</td>
<td>35 729 688</td>
<td>14 919 153</td>
</tr>
<tr>
<td>Term placements of banks</td>
<td>16 173 913</td>
<td>12 178 945</td>
</tr>
<tr>
<td>Correspondent accounts of banks</td>
<td>350 701</td>
<td>100 797</td>
</tr>
<tr>
<td><strong>Total due to banks</strong></td>
<td><strong>52 254 302</strong></td>
<td><strong>27 198 895</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2012 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 30 800 712 thousand. Securities pledged under these sale and repurchase agreements are corporate bonds with fair value of RR 28 688 598 thousand, municipal bonds with fair value of RR 3 873 626 thousand, corporate Eurobonds with fair value of RR 1 881 322 thousand and federal loan bonds (OFZ) with fair value of RR 847 493 thousand (2011: included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 13 490 520 thousand. Securities pledged under these sale and repurchase agreements are corporate bonds with fair value of RR 11 660 435 thousand, municipal bonds with fair value of RR 2 930 415 thousand and federal loan bonds (OFZ) with fair value of RR 533 521 thousand). Refer to note 9.

As at 31 December 2012 included in due to banks are sale and repurchase agreements with credit institutions with securities reclassified in 2008 into loans to customers in the amount of RR 391 985 thousand. Securities pledged under these sale and repurchase agreements are municipal bonds with a carrying value of RR 372 895 thousand and corporate bonds with a carrying value of RR 43 216 thousand (2011: included in due to banks are sale and repurchase agreements with credit institutions with securities reclassified in 2008 into loans to customers in the amount of RR 546 165 thousand. Securities pledged under these sale and repurchase agreements are municipal bonds with a carrying value of RR 570 882 thousand). Refer to note 13.
18 Due to Banks (continued)

As at 31 December 2012 included in due to banks are sale and repurchase agreements with credit institutions with securities reclassified in 2008 into due from banks in the amount of RR 500 678 thousand. Securities pledged under these sale and repurchase agreements are corporate bonds with a carrying value of RR 582 337 thousand (2011: included in due to banks are sale and repurchase agreements with credit institutions with securities reclassified in 2008 into due from banks in the amount of RR 383 388 thousand. Securities pledged under these sale and repurchase agreements are corporate bonds with a carrying value of RR 451 436 thousand). Refer to note 12.

As at 31 December 2012 included in due to banks are sale and repurchase agreements with credit institutions collateralised by securities transferred to the Bank under reverse repurchase agreement (without initial recognition) in the amount of RR 4 036 313 thousand. Securities pledged under these sale and repurchase agreements are corporate shares with fair value of RR 2 982 075 thousand, corporate bonds with fair value of RR 1 800 752 thousand, federal loan bonds (OFZ) with fair value of RR 947 813 thousand (2011: included in due to banks are sale and repurchase agreements with credit institutions collateralised by securities transferred to the Bank under reverse repurchase agreement (without initial recognition) in the amount of RR 499 080 thousand. Securities pledged under these sale and repurchase agreements are corporate bonds with fair value of RR 6 898 thousand and federal loan bonds (OFZ) with fair value of RR 504 289 thousand). Refer to note 11.

Currency, maturity and interest rate analyses of due to banks are disclosed in note 33.

19 Customer Accounts

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and public organisations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current/settlement accounts</td>
<td>835 462</td>
<td>674 615</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>-</td>
<td>5 092 584</td>
</tr>
<tr>
<td>Other legal entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current/settlement accounts</td>
<td>51 466 052</td>
<td>52 355 916</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>68 966 817</td>
<td>81 179 317</td>
</tr>
<tr>
<td>- Sale and repurchase agreements</td>
<td>308 259</td>
<td>8 499</td>
</tr>
<tr>
<td>Individuals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current/settlement accounts</td>
<td>23 381 940</td>
<td>17 918 256</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>77 838 204</td>
<td>69 473 703</td>
</tr>
<tr>
<td>Total customer accounts</td>
<td>222 796 734</td>
<td>226 702 890</td>
</tr>
</tbody>
</table>

State and public organisations exclude government owned profit oriented businesses.

As at 31 December 2012 term deposits of individuals include RR 63 875 thousand representing deposits from banks which, acting in an agent capacity, attract funds from third parties for the purpose of placing these funds with the Group on behalf and at the request of the third parties (2011: no such deposits).
19 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>2012 Amount</th>
<th>2012 %</th>
<th>2011 Amount</th>
<th>2011 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>101,220,144</td>
<td>45.4</td>
<td>87,391,959</td>
<td>38.5</td>
</tr>
<tr>
<td>Construction</td>
<td>34,034,534</td>
<td>15.3</td>
<td>28,197,337</td>
<td>12.4</td>
</tr>
<tr>
<td>Financial services</td>
<td>24,000,909</td>
<td>10.8</td>
<td>37,218,067</td>
<td>16.4</td>
</tr>
<tr>
<td>Trade</td>
<td>12,831,709</td>
<td>5.8</td>
<td>13,323,867</td>
<td>5.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12,433,943</td>
<td>5.6</td>
<td>19,070,446</td>
<td>8.4</td>
</tr>
<tr>
<td>Real estate</td>
<td>10,521,306</td>
<td>4.7</td>
<td>7,002,598</td>
<td>3.1</td>
</tr>
<tr>
<td>Art, science and education</td>
<td>7,499,361</td>
<td>3.4</td>
<td>6,639,815</td>
<td>2.9</td>
</tr>
<tr>
<td>Transport</td>
<td>5,114,334</td>
<td>2.3</td>
<td>8,253,627</td>
<td>3.6</td>
</tr>
<tr>
<td>Cities and municipalities</td>
<td>4,432,721</td>
<td>2.0</td>
<td>6,354,329</td>
<td>2.8</td>
</tr>
<tr>
<td>Public utilities</td>
<td>2,972,475</td>
<td>1.3</td>
<td>3,628,116</td>
<td>1.6</td>
</tr>
<tr>
<td>Communications</td>
<td>1,019,745</td>
<td>0.5</td>
<td>3,590,688</td>
<td>1.6</td>
</tr>
<tr>
<td>Energy</td>
<td>777,445</td>
<td>0.3</td>
<td>1,586,784</td>
<td>0.7</td>
</tr>
<tr>
<td>Medical institutions</td>
<td>525,956</td>
<td>0.2</td>
<td>494,135</td>
<td>0.2</td>
</tr>
<tr>
<td>Other</td>
<td>5,412,152</td>
<td>2.4</td>
<td>3,951,122</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total customer accounts</strong></td>
<td>222,796,734</td>
<td>100.0</td>
<td>226,702,890</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As at 31 December 2012, included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 308,259 thousand, securities pledged under these sale and repurchase agreements are corporate shares with the fair value of RR 359,250 thousand sold short (2011: no such securities) (2011: included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 8,499 thousand, securities pledged under these sale and repurchase agreements are corporate bonds with the fair value of RR 10,011 thousand). Refer to note 9.

As at 31 December 2012, customer accounts include deposits amounting to RR 529,578 thousand representing security for irrevocable liabilities on import letters of credit (2011: RR 2,575,619 thousand).

Currency and maturity and interest rate analyses of customer accounts are disclosed in note 33. The information on related party balances is disclosed in note 37.

20 Bonds Issued

<table>
<thead>
<tr>
<th>Bonds Issued</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>10,674,577</td>
<td>8,232,277</td>
</tr>
<tr>
<td>Subordinated Eurobonds</td>
<td>6,209,007</td>
<td>3,323,247</td>
</tr>
<tr>
<td><strong>Total bonds issued</strong></td>
<td><strong>16,883,584</strong></td>
<td><strong>11,555,524</strong></td>
</tr>
</tbody>
</table>

On 13 April 2010 the Group issued Russian Ruble denominated interest-bearing bonds (one bond – RR 1,000, the bonds were placed at nominal value), in the amount of 5,000,000 items. These bonds have a maturity of 1,092 days and coupon period of 182 days. On 13 October 2011 and on 11 October 2012 the Bank in total purchased 4,949,713 securities from holders of active bonds. As at 31 December 2012, the carrying value of these bonds is RR 46,910 thousand with a coupon rate of 8.0% p.a. (2011: the carrying value of these bonds is RR 142,032 thousand with a coupon rate of 8.3% p.a.).

On 27 September 2010 the Group issued Russian Ruble denominated interest-bearing bonds (one bond – RR 1,000, the bonds were placed at nominal value), in the amount of 5,000,000 items. These bonds have a maturity of 1,092 days and coupon period of 182 days. As at 31 December 2012, the carrying value of these bonds is RR 5,113,504 thousand with a coupon rate of 9.0% p.a. (2011: the carrying value of these bonds is RR 5,085,336 thousand with a coupon rate of 7.5% p.a.).
20  Bonds Issued (continued)

On 16 December 2010 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 3 000 000 items. These bonds have a maturity of 1 092 days and coupon period of 182 days. On 17 December 2012 the Bank purchased 2 580 973 securities from holders of active bonds. As at 31 December 2012, the carrying value of these bonds is RR 417 179 thousand with a coupon rate of 9.0% p.a. (2011: carrying value of these bonds is RR 3 004 909 thousand with the coupon rate of 8.5% p.a.).

On 8 October 2012 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. These bonds have a maturity of 1 092 days, with early redemption option in October 2013, coupon period of 182 days, and the placement rate of 9.5% p.a. is set for two coupon periods. As at 31 December 2012, the carrying value of these bonds is RR 5 096 984 thousand (2011: there were no bonds).

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 31 December 2012, the carrying value of these bonds is USD 102 141 thousand, the equivalent of RR 3 102 288 thousand (2011: USD 103 219 thousand, the equivalent of RR 3 323 247 thousand). These subordinated Eurobonds have a maturity on 25 July 2017, nominal coupon rate of 7.6% p.a. and effective interest rate of 8.1% p.a.

In October 2012 the Group placed 505 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 200 000). The issue was arranged by BNP Paribas and UBS. The issue was registered on the Irish Stock Exchange. As at 31 December 2012, the carrying value of these bonds is USD 102 278 thousand, the equivalent of RR 3 106 719 thousand. These subordinated Eurobonds have a maturity on 24 October 2018, nominal coupon rate of 11.0% p.a. and effective interest rate of 11.5% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

Currency and maturity and interest rate analyses of bonds issued are disclosed in note 33.

21  Other Debt Securities in Issue

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory notes</td>
<td>5 228 677</td>
<td>9 349 088</td>
</tr>
<tr>
<td>Deposit certificates</td>
<td>15 657</td>
<td>7 356</td>
</tr>
<tr>
<td>Total other debt securities in issue</td>
<td>5 244 334</td>
<td>9 356 444</td>
</tr>
</tbody>
</table>

Currency and maturity and interest rate analyses of other debt securities in issue are disclosed in note 33.
22 Other Borrowed Funds

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated loans</td>
<td>5 333 607</td>
<td>5 527 834</td>
</tr>
<tr>
<td>VTB Bank</td>
<td>2 915 434</td>
<td>3 254 344</td>
</tr>
<tr>
<td>EBRD</td>
<td>2 051 128</td>
<td>2 118 734</td>
</tr>
<tr>
<td>Eurasian Development Bank</td>
<td>395 090</td>
<td>258 298</td>
</tr>
<tr>
<td>Nordic Investment Bank</td>
<td>302 671</td>
<td>435 275</td>
</tr>
<tr>
<td>AKA AFK</td>
<td>260 372</td>
<td>-</td>
</tr>
<tr>
<td>KFW IPEX-Bank GmbH</td>
<td>152 326</td>
<td>483 771</td>
</tr>
<tr>
<td><strong>Total other borrowed funds</strong></td>
<td><strong>11 410 628</strong></td>
<td><strong>12 078 256</strong></td>
</tr>
</tbody>
</table>

In June 2009 the Group attracted a subordinated loan from the European Bank for Reconstruction and Development ("EBRD") in the amount of USD 75 000 thousand. The loan is granted for the period of 10 years and 6 months, maturity is in 2020, with the option of bullet repayment in 2014. As at 31 December 2012, the carrying value of this loan is USD 78 746 thousand, the equivalent of RR 2 391 728 thousand (2011: USD 78 685 thousand, the equivalent of RR 2 533 349 thousand). Interest rate during the first five years is 13.40%.

In December 2008 the Group attracted a subordinated loan in the amount of EUR 36 690 thousand maturing in December 2014. As at 31 December 2012, the carrying value of this subordinated loan is EUR 36 690 thousand, the equivalent of RR 1 475 987 thousand (2011: EUR 36 690 thousand, the equivalent of RR 1 528 924 thousand). The subordinated loan has a fixed interest rate of 14.50% p.a.

In August 2009 the Group attracted a subordinated loan from Vnesheconombank (VEB) in the amount of RR 1 466 000 thousand maturing in 2014. As at 31 December 2012, the carrying value of this subordinated loan is RR 1 465 892 thousand (2011: RR 1 465 561 thousand). The subordinated loan had an initial interest rate of 8.0% p.a. In August 2010 the interest rate was decreased to 6.50% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of all other creditors and depositors.

On 22 February 2011 the Group attracted a loan from VTB Bank (France) to finance trade contracts of clients in the amount of USD 20 000 thousand. The loan with the interest rate of LIBOR + 4.25% p.a. matures on 20 February 2013. As at 31 December 2012, the carrying value of this loan is USD 20 363 thousand, the equivalent of RR 618 467 thousand (2011: USD 20 349 thousand, the equivalent of RR 655 172 thousand). As at 31 December 2012 the interest rate is 4.968% p.a.

On 17 August 2011 the Group attracted a loan from VTB Bank (France) to finance trade contracts of clients in the amount of USD 20 000 thousand. The loan with the interest rate of LIBOR + 3.95% p.a. matures on 16 August 2013. As at 31 December 2012, the carrying value of this loan is USD 20 349 thousand, the equivalent of RR 618 056 thousand (USD 20 332 thousand, the equivalent of RR 654 618 thousand). As at 31 December 2012 the interest rate is 4.668% p.a.

On 15 December 2010 the Group attracted a loan from VTB Bank (Deutschland) AG to finance trade contracts of clients in the amount of USD 20 000 thousand. The loan with the interest rate of LIBOR + 4.25% p.a. matures on 16 January 2013. As at 31 December 2012, the carrying value of this loan is USD 15 058 thousand, the equivalent of RR 457 356 thousand (2011: USD 20 188 thousand, the equivalent of RR 649 990 thousand). As at 31 December 2012 the interest rate is 4.584% p.a.
22 Other Borrowed Funds (continued)

On 27 July 2011 the Group attracted a loan from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand. The loan with the interest rate of LIBOR + 3.5% p.a. matures on 25 January 2013. As at 31 December 2012, the carrying value of this loan is USD 20 132 thousand, the equivalent of RR 611 461 thousand (2011: USD 20 140 thousand, the equivalent of RR 648 416 thousand). As at 31 December 2012 the interest rate is 3.814% p.a.

On 29 August 2011 the Group attracted a loan from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand. The loan with the interest rate of LIBOR + 3.5% p.a. matures on 27 February 2013. As at 31 December 2012, the carrying value of this loan is USD 20 087 thousand, the equivalent of RR 610 094 thousand (2011: USD 20 069 thousand, the equivalent of RR 646 148 thousand). As at 31 December 2012 the interest rate is 3.812% p.a.

On 14 December 2010 the Group attracted a loan from the EBRD to finance small and medium enterprises in the amount of USD 65 000 thousand with contractual maturity in March 2014. As at 31 December 2012, the carrying value of this loan is USD 65 998 thousand, the equivalent of RR 2 004 537 thousand (2011: USD 65 807 thousand, the equivalent of RR 2 118 734 thousand). The fixed interest rate is 5.55% p.a.

On 21 May 2012 the Group attracted a loan under revolving loan agreement with the EBRD to finance trade contracts of clients in amount of USD 1 528 thousand. The loan with interest rate of LIBOR + 4.0% matures on 21 May 2015. As at 31 December 2012, the carrying value of this loan is USD 1 534 thousand, the equivalent of RR 46 591 thousand. As at 31 December 2012 the interest rate is 4.526% p.a.

On 24 December 2012 the Group attracted a loan from the Eurasian Development Bank (“EBD”) to finance trade contracts of clients in amount of USD 13 000 thousand. The loan with the interest rate of LIBOR + 2.75% matures on 24 December 2013. As at 31 December 2012, the carrying value of this loan is USD 13 008 thousand, the equivalent of RR 395 090 thousand. As at 31 December 2012 the interest rate is 3.260%.

In December 2012 the Group repaid a loan from the EBD attracted on 9 December 2011 to finance trade contracts of clients in the amount of USD 8 000 thousand. As at 31 December 2011, the carrying value of the loan was USD 8 023 thousand, the equivalent of RR 258 298 thousand. As at repayment date the interest rate was 4.736% p.a.

On 6 September 2007 and 20 November 2007 the Group attracted four tranches of a credit facility provided by Nordic Investment Bank. The Group used the amount to fund certain projects. The loan maturity date is on 3 October 2015. As at 31 December 2012 USD 18 671 thousand of the principal debt was redeemed. As at 31 December 2012, the carrying value of this loan is USD 9 965 thousand, the equivalent of RR 302 671 thousand (2011: USD 13 519 thousand, the equivalent of RR 435 275 thousand). The interest rate on the loan ranges from LIBOR + 2.6% p.a. to LIBOR + 2.95% p.a., depending on maturity dates of the tranches. As at 31 December 2012 the interest rates on the loan ranged from 3.481% to 3.581% p.a.

On 3 December 2012 the Group attracted the first tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in amount of EUR 6 472 thousand. The total amount of credit facility equals EUR 36 739 thousand. The Group used the amount to finance trade contracts of clients. The Group will start scheduled redemption of the loan not later than on 30 March 2015, the loan maturity is on 30 September 2017. As at 31 December 2012, the carrying value of this loan is EUR 6 472 thousand, the equivalent of RR 260 372 thousand. The interest rate on the loan EURIBOR + 1.75%, as at 31 December 2012 the interest rate is 1.986% p.a.

On 16 July 2008 the Group attracted a loan from KFW IPEX-Bank GmbH in the amount of USD 35 000 thousand with maturity in June 2013. The Group started the scheduled redemption and as at 31 December 2012 USD 25 000 thousand of the principal debt was redeemed. As at 31 December 2012, the carrying value of this loan is USD 5 015 thousand, the equivalent of RR 152 326 thousand (2011: USD 15 026 thousand, the equivalent of RR 483 771 thousand). The initial interest rate on this loan was LIBOR + 6.12%, but later it was fixed at 9.987% p.a. for the whole loan period.
22 Other Borrowed Funds (continued)

The Group is required to meet certain covenants attached to syndicated loans, subordinated loans and funds from EBRD, KFW IPEX-Bank GmbH, Nordic Investment Bank, EDB, VTB Bank (Deutschland) AG, VTB Bank (France). Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and declaration of default (except for subordinated loans). As at 31 December 2012 and 31 December 2011, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 33. The information on related party balances is disclosed in note 37.

23 Other Liabilities

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of derivative financial instruments</td>
<td></td>
<td>626 583</td>
<td>929 517</td>
</tr>
<tr>
<td>Payables to customers</td>
<td></td>
<td>182 515</td>
<td>147 081</td>
</tr>
<tr>
<td>Plastic card payables</td>
<td></td>
<td>129 039</td>
<td>22 838</td>
</tr>
<tr>
<td>Deferred commissions on guarantees and import letters of credit</td>
<td>31</td>
<td>34 631</td>
<td>14 289</td>
</tr>
<tr>
<td>Dividends payable</td>
<td></td>
<td>3 123</td>
<td>3 367</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>26</td>
<td>255</td>
</tr>
<tr>
<td><strong>Total other financial liabilities</strong></td>
<td></td>
<td>975 917</td>
<td>1 117 347</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments to employees</td>
<td></td>
<td>276 047</td>
<td>371 507</td>
</tr>
<tr>
<td>Allowance for credit related commitments</td>
<td>35</td>
<td>162 057</td>
<td>191 003</td>
</tr>
<tr>
<td>Taxes payable other than on income</td>
<td></td>
<td>154 706</td>
<td>133 118</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>247 056</td>
<td>172 775</td>
</tr>
<tr>
<td><strong>Total other non-financial liabilities</strong></td>
<td></td>
<td>839 866</td>
<td>868 403</td>
</tr>
</tbody>
</table>

| Total other liabilities                    |      | 1 815 783 | 1 985 750 |

Analysis of movements in the allowance for credit related commitments during 2012 and 2011 is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance at 1 January</td>
<td>191 003</td>
<td>85 743</td>
</tr>
<tr>
<td>(Recovery of impairment) impairment of credit related commitments during the year</td>
<td>(28 946)</td>
<td>105 260</td>
</tr>
</tbody>
</table>

| Allowance at 31 December        | 162 057 | 191 003 |

Currency and maturity analyses of other liabilities are disclosed in note 33.
24 Share Capital

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Number of outstanding ordinary shares (thousand)</th>
<th>Number of outstanding preference shares (thousand)</th>
<th>Ordinary shares</th>
<th>Preference shares</th>
<th>Share premium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2011</td>
<td>282 150</td>
<td>85 311</td>
<td>3 386 879</td>
<td>242 662</td>
<td>15 744 164</td>
<td>19 373 705</td>
</tr>
<tr>
<td>New shares issued</td>
<td>18 569</td>
<td>-</td>
<td>18 569</td>
<td>-</td>
<td>2 704 751</td>
<td>2 723 320</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>300 719</td>
<td>85 311</td>
<td>3 405 448</td>
<td>242 662</td>
<td>18 448 915</td>
<td>22 097 025</td>
</tr>
<tr>
<td>New shares issued</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>As at 31 December 2012</td>
<td>300 719</td>
<td>85 311</td>
<td>3 405 448</td>
<td>242 662</td>
<td>18 448 915</td>
<td>22 097 025</td>
</tr>
</tbody>
</table>

As at 31 December 2012, the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 386 030 thousand (2011: RR 386 030 thousand). As at 31 December 2012, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (2011: RR 1 per share). Each share carries one vote.

As at 31 December 2012, the Group has two types of preference shares:
- preference shares with a nominal value of RR 1 in the amount of 20 100 000
- type A preference shares with a nominal value of RR 1 in the amount of 65 211 000.

All preference shares carry no voting rights and are non-redeemable.

Preference share dividends are set at 11.0% p.a. and rank above type A preference and ordinary shares.

Dividend per one type A preference share is Rouble denominated and is set at 13.5% of the placement price of one type A preference share fixed in US dollars. The Rouble equivalent is calculated using the exchange rate set by the CBRF as at the date the Supervisory Board accepts recommendations in respect of the amount of dividends on type A preference shares.

One type A preference share with a nominal value of RR 1 is convertible into one ordinary share with a nominal value of RR 1 on 15 May 2013.

If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares of all types are not cumulative.

Share premium represents the excess of contributions received over the nominal value of shares issued.
25 Other Comprehensive Income (Loss) Recognized in Equity

The analysis of other comprehensive income by each component of equity is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>Revaluation reserve for premises</th>
<th>Revaluation reserve for investment securities available-for-sale</th>
<th>Total comprehensive income (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year ended 31 December 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from revaluation of premises and equipment</td>
<td>1 734 105</td>
<td>-</td>
<td>1 734 105</td>
<td></td>
</tr>
<tr>
<td>Income from revaluation of investment securities available-for-sale</td>
<td>-</td>
<td>2 739 633</td>
<td>2 739 633</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax recognised directly in other comprehensive income</td>
<td>29</td>
<td>(346 821)</td>
<td>(483 519)</td>
<td>(830 340)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td></td>
<td>1 387 284</td>
<td>2 256 114</td>
<td>3 643 398</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from revaluation of premises and equipment</td>
<td>254 740</td>
<td>-</td>
<td>254 740</td>
<td></td>
</tr>
<tr>
<td>Loss from revaluation of investment securities available-for-sale</td>
<td>-</td>
<td>(492 217)</td>
<td>(492 217)</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax recognised directly in other comprehensive income</td>
<td>29</td>
<td>(50 948)</td>
<td>98 443</td>
<td>47 495</td>
</tr>
<tr>
<td><strong>Total other comprehensive income (loss)</strong></td>
<td></td>
<td>203 792</td>
<td>(393 774)</td>
<td>(189 982)</td>
</tr>
</tbody>
</table>

26 Interest Income and Expense

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>22 833 895</td>
<td>21 954 530</td>
</tr>
<tr>
<td>Trading securities</td>
<td>3 648 688</td>
<td>3 323 771</td>
</tr>
<tr>
<td>Sale and repurchase agreements</td>
<td>543 483</td>
<td>259 688</td>
</tr>
<tr>
<td>Due from banks</td>
<td>272 453</td>
<td>190 321</td>
</tr>
<tr>
<td>Correspondent accounts with banks</td>
<td>62 648</td>
<td>48 795</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td>27 361 167</td>
<td>25 777 105</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term deposits of legal entities</td>
<td>5 251 751</td>
<td>4 587 313</td>
</tr>
<tr>
<td>Term deposits of individuals</td>
<td>4 812 678</td>
<td>3 745 145</td>
</tr>
<tr>
<td>Due to banks</td>
<td>2 506 763</td>
<td>785 991</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>1 181 363</td>
<td>1 284 808</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>935 910</td>
<td>1 021 153</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>352 457</td>
<td>590 348</td>
</tr>
<tr>
<td>Current/settlement accounts</td>
<td>338 099</td>
<td>142 420</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td>15 379 021</td>
<td>12 157 178</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>11 982 146</td>
<td>13 619 927</td>
</tr>
</tbody>
</table>
### 27 Fee and Commission Income and Expense

**In thousands of Russian Roubles**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fee and commission income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement transactions</td>
<td>953 054</td>
<td>822 282</td>
</tr>
<tr>
<td>Guarantees and letters of credit issued</td>
<td>726 298</td>
<td>645 350</td>
</tr>
<tr>
<td>Plastic cards and cheque settlements</td>
<td>700 294</td>
<td>597 094</td>
</tr>
<tr>
<td>Cash transactions</td>
<td>189 092</td>
<td>195 713</td>
</tr>
<tr>
<td>Cash collections</td>
<td>134 046</td>
<td>112 162</td>
</tr>
<tr>
<td>Custody operations</td>
<td>22 997</td>
<td>20 453</td>
</tr>
<tr>
<td>Foreign exchange transactions</td>
<td>13 225</td>
<td>30 141</td>
</tr>
<tr>
<td>Other</td>
<td>14 198</td>
<td>8 827</td>
</tr>
<tr>
<td><strong>Total fee and commission income</strong></td>
<td>2 753 204</td>
<td>2 432 022</td>
</tr>
<tr>
<td><strong>Fee and commission expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plastic cards and cheque settlements</td>
<td>181 689</td>
<td>165 318</td>
</tr>
<tr>
<td>Settlement transactions</td>
<td>76 178</td>
<td>80 158</td>
</tr>
<tr>
<td>Guarantees and letters of credit</td>
<td>73 088</td>
<td>81 082</td>
</tr>
<tr>
<td>Securities</td>
<td>33 463</td>
<td>22 309</td>
</tr>
<tr>
<td>Foreign exchange transactions</td>
<td>10 694</td>
<td>9 873</td>
</tr>
<tr>
<td>Banknote transactions</td>
<td>7 578</td>
<td>4 229</td>
</tr>
<tr>
<td>Other</td>
<td>21 385</td>
<td>17 419</td>
</tr>
<tr>
<td><strong>Total fee and commission expense</strong></td>
<td>404 075</td>
<td>380 388</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>2 349 129</td>
<td>2 051 634</td>
</tr>
</tbody>
</table>

Information on related party transactions is disclosed in note 37.

### 28 Administrative and Other Operating Expenses

**In thousands of Russian Roubles**

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td></td>
<td>3 059 023</td>
<td>2 944 456</td>
</tr>
<tr>
<td>Depreciation and amortisation of premises, equipment and intangible assets</td>
<td>16</td>
<td>651 119</td>
<td>479 785</td>
</tr>
<tr>
<td>Taxes other than on income</td>
<td></td>
<td>579 991</td>
<td>450 535</td>
</tr>
<tr>
<td>Other costs, related to premises and equipment</td>
<td></td>
<td>530 059</td>
<td>380 591</td>
</tr>
<tr>
<td>Contributions to deposits insurance system</td>
<td></td>
<td>358 046</td>
<td>297 363</td>
</tr>
<tr>
<td>Information and consulting services services</td>
<td></td>
<td>308 737</td>
<td>210 317</td>
</tr>
<tr>
<td>Transportation costs</td>
<td></td>
<td>220 947</td>
<td>209 329</td>
</tr>
<tr>
<td>Rent expenses</td>
<td></td>
<td>220 467</td>
<td>232 559</td>
</tr>
<tr>
<td>Security expenses</td>
<td></td>
<td>219 587</td>
<td>171 405</td>
</tr>
<tr>
<td>Advertising and marketing services</td>
<td></td>
<td>120 586</td>
<td>79 392</td>
</tr>
<tr>
<td>Postal, cable and telecommunication expenses</td>
<td></td>
<td>119 457</td>
<td>91 807</td>
</tr>
<tr>
<td>Professional services</td>
<td></td>
<td>41 340</td>
<td>19 837</td>
</tr>
<tr>
<td>Charity expenses</td>
<td></td>
<td>22 732</td>
<td>13 022</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td></td>
<td>759 670</td>
<td>546 922</td>
</tr>
<tr>
<td><strong>Total administrative and other operating expenses</strong></td>
<td></td>
<td>7 211 761</td>
<td>6 127 320</td>
</tr>
</tbody>
</table>
29 Income Taxes

Income tax expense comprises the following:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>907 947</td>
<td>931 734</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(428 434)</td>
<td>469 910</td>
</tr>
<tr>
<td><strong>Income tax expense for the year</strong></td>
<td><strong>479 513</strong></td>
<td><strong>1 401 644</strong></td>
</tr>
</tbody>
</table>

The income tax rate applicable to the majority of the Group’s income is 20% (2011: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit in accordance with IFRS before tax</td>
<td>1 783 013</td>
<td>7 287 126</td>
</tr>
<tr>
<td>Tax charge at statutory rate</td>
<td>356 603</td>
<td>1 457 425</td>
</tr>
<tr>
<td>- Non deductible expenses</td>
<td>167 503</td>
<td>142 286</td>
</tr>
<tr>
<td>- Income tax recovery in the current reporting period and related to the prior reporting period</td>
<td>-</td>
<td>(136 223)</td>
</tr>
<tr>
<td>- Income on government securities taxed at different rates</td>
<td>(44 593)</td>
<td>(61 844)</td>
</tr>
<tr>
<td><strong>Income tax expense for the year</strong></td>
<td><strong>479 513</strong></td>
<td><strong>1 401 644</strong></td>
</tr>
</tbody>
</table>

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for IFRS financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2011: 20%), except for income on state securities which is taxed at 15% (2011: 15%).
## Income Taxes (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2011</th>
<th>Charged to profit or loss</th>
<th>Charged directly to equity</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax effect of deductible temporary differences</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>77 597</td>
<td>15 560</td>
<td>-</td>
<td>93 157</td>
</tr>
<tr>
<td>Accrued income/expense</td>
<td>301 525</td>
<td>(151 773)</td>
<td>-</td>
<td>149 752</td>
</tr>
<tr>
<td>Valuation of trading and other securities at fair value</td>
<td>184 851</td>
<td>114 238</td>
<td>-</td>
<td>299 089</td>
</tr>
<tr>
<td>Valuation of bonds issued at amortised cost</td>
<td>35 762</td>
<td>26 110</td>
<td>-</td>
<td>61 872</td>
</tr>
<tr>
<td>Valuation of other borrowed funds at amortised cost</td>
<td>36 677</td>
<td>(1 189)</td>
<td>-</td>
<td>35 488</td>
</tr>
<tr>
<td>Valuation of investment securities held-to-maturity at amortised cost</td>
<td>941</td>
<td>10</td>
<td>-</td>
<td>951</td>
</tr>
<tr>
<td>Valuation of due from banks at amortised cost</td>
<td>643</td>
<td>(643)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>211 578</td>
<td>(172 240)</td>
<td>-</td>
<td>39 338</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>849 574</td>
<td>(169 927)</td>
<td>-</td>
<td>679 647</td>
</tr>
<tr>
<td>Less offsetting with deferred tax liabilities</td>
<td>(797 312)</td>
<td>117 665</td>
<td>-</td>
<td>(679 647)</td>
</tr>
<tr>
<td><strong>Recognised deferred tax asset</strong></td>
<td>52 262</td>
<td>(52 262)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| **Tax effect of taxable temporary differences**                             |                  |                           |                           |                  |
| Premises and equipment                                                      | (1 293 597)      | 125 944                   | (50 948)                  | (1 218 601)      |
| Valuation of trading and other securities at fair value                    | (490 105)        | 391 185                   | 98 443                    | (477)            |
| Other                                                                       | (146 506)        | 81 232                    | -                         | (65 274)         |
| **Total deferred tax liabilities**                                          | (1 930 208)      | 598 361                   | 47 495                    | (1 284 352)      |
| Less offsetting with deferred tax assets                                   | 797 312          | (117 665)                 | -                         | 679 647          |
| **Recognised deferred tax liability**                                       | (1 132 896)      | 480 696                   | 47 495                    | (604 705)        |
29 Income Taxes (continued)

<table>
<thead>
<tr>
<th>Tax effect of deductible temporary differences</th>
<th>31 December 2010</th>
<th>Charged to profit or loss</th>
<th>Charged directly to equity</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for loan impairment</td>
<td>7 402</td>
<td>70 195</td>
<td>-</td>
<td>77 597</td>
</tr>
<tr>
<td>Accrued income/expense</td>
<td>384 620</td>
<td>(83 095)</td>
<td>-</td>
<td>301 525</td>
</tr>
<tr>
<td>Valuation of trading and other securities at fair value</td>
<td>140 319</td>
<td>44 532</td>
<td>-</td>
<td>184 851</td>
</tr>
<tr>
<td>Valuation of bonds issued at amortised cost</td>
<td>46 861</td>
<td>(11 099)</td>
<td>-</td>
<td>35 762</td>
</tr>
<tr>
<td>Valuation of other borrowed funds at amortised cost</td>
<td>15 592</td>
<td>21 085</td>
<td>-</td>
<td>36 677</td>
</tr>
<tr>
<td>Valuation of investment securities held-to-maturity at amortised cost</td>
<td>2 336</td>
<td>(1 395)</td>
<td>-</td>
<td>941</td>
</tr>
<tr>
<td>Valuation of due from banks at amortised cost</td>
<td>4 836</td>
<td>(4 193)</td>
<td>-</td>
<td>643</td>
</tr>
<tr>
<td>Other</td>
<td>267 733</td>
<td>(56 155)</td>
<td>-</td>
<td>211 578</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>869 699</td>
<td>(20 125)</td>
<td>-</td>
<td>849 574</td>
</tr>
<tr>
<td>Less offsetting with deferred tax liabilities</td>
<td>(650 083)</td>
<td>(147 229)</td>
<td>-</td>
<td>(797 312)</td>
</tr>
</tbody>
</table>

Recognised deferred tax asset 219 616 (167 354) - 52 262

<table>
<thead>
<tr>
<th>Tax effect of taxable temporary differences</th>
<th>31 December 2010</th>
<th>Charged to profit or loss</th>
<th>Charged directly to equity</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises and equipment</td>
<td>(642 923)</td>
<td>(303 853)</td>
<td>(346 821)</td>
<td>(1 293 597)</td>
</tr>
<tr>
<td>Valuation of trading and other securities at fair value</td>
<td>-</td>
<td>(6 586)</td>
<td>(483 519)</td>
<td>(490 105)</td>
</tr>
<tr>
<td>Other</td>
<td>(7 160)</td>
<td>(139 346)</td>
<td>-</td>
<td>(146 506)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>(650 083)</td>
<td>(449 785)</td>
<td>(830 340)</td>
<td>(1 930 208)</td>
</tr>
<tr>
<td>Less offsetting with deferred tax assets</td>
<td>650 083</td>
<td>147 229</td>
<td>-</td>
<td>797 312</td>
</tr>
</tbody>
</table>

Recognised deferred tax liability - (302 556) (830 340) (1 132 896)

30 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year less treasury stock.

The Group has potentially dilutive type A preference shares. Refer to note 24.

Basic earnings per share are calculated as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to shareholders</td>
<td>1 303 500</td>
<td>5 885 482</td>
</tr>
<tr>
<td>Less preference dividends</td>
<td>(784 743)</td>
<td>(762 571)</td>
</tr>
</tbody>
</table>

Profit attributable to ordinary shareholders of the Bank 518 757 5 122 911

Weighted average number of ordinary shares in issue (thousands) 300 719 285 508

Basic earnings per share (expressed in RR per share) 1.73 17.94
30  Earnings per Share (continued)

Diluted earnings per share are calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to shareholders</td>
<td>1 303 500</td>
<td>5 885 482</td>
</tr>
<tr>
<td>Less preference dividends</td>
<td>(784 743)</td>
<td>(2 211)</td>
</tr>
<tr>
<td>Profit attributable to ordinary shareholders of the Bank</td>
<td>518 757</td>
<td>5 883 271</td>
</tr>
<tr>
<td>Average weighted diluted number of shares (thousands)</td>
<td>300 719</td>
<td>350 719</td>
</tr>
<tr>
<td>Diluted earnings per share (expressed in RR per share)</td>
<td>1.73</td>
<td>16.78</td>
</tr>
</tbody>
</table>

Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share.

31  Dividends

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends payable as at 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends payable as at 31 December</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per share declared during the year (RR per share)</td>
<td>0.11</td>
<td>0.11</td>
</tr>
</tbody>
</table>

All dividends are declared and paid in Russian Roubles.

32  Segment Analysis

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board performs the responsibilities of the chief operating decision maker.
32 Segment Analysis (continued)

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – private banking services, private customer current accounts, deposits, retail investment products, custody, credit and debit cards, consumer loans, mortgages and other loans to individuals and VIP clients.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

Factors used by management to define reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Management Board analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances

(ii) differences in the classification of securities to portfolios

(iii) income tax is not distributed to segments

(iv) provision for loan impairment are recognized based on Russian legislation, and not on the basis of the model of “incurred losses” specified in IAS 39

(v) fee and commission income on lending operations is recognized immediately and not in the future periods using the effective interest rate method

(vi) liabilities for unutilized leaves are not taken into account.

The Management Board evaluates the business segment results based on the amount of profit before taxes paid.
### Segment Analysis (continued)

#### Information on profit or loss, assets and liabilities of reporting segments

Segment information for the main reporting business segments for the years ended 31 December 2012 and 31 December 2011 is set out below (in accordance with the management information).

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Corporate banking</th>
<th>Operations on financial markets</th>
<th>Retail banking</th>
<th>Unallocated</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External revenues</td>
<td>22 711 881</td>
<td>3 034 049</td>
<td>2 960 494</td>
<td>-</td>
<td>-</td>
<td>28 706 424</td>
</tr>
<tr>
<td>Revenues from other segments</td>
<td>8 259 615</td>
<td>23 468 260</td>
<td>5 966 789</td>
<td>- (37 694 664)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>30 971 496</td>
<td>26 502 309</td>
<td>8 927 283</td>
<td>- (37 694 664)</td>
<td>28 706 424</td>
<td></td>
</tr>
<tr>
<td>Total revenues comprise:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Interest income</td>
<td>28 746 238</td>
<td>26 462 880</td>
<td>8 160 317</td>
<td>- (37 694 664)</td>
<td>25 674 771</td>
<td></td>
</tr>
<tr>
<td>- Fee and commission income</td>
<td>2 047 879</td>
<td>27 812</td>
<td>760 419</td>
<td>-</td>
<td>2 836 110</td>
<td></td>
</tr>
<tr>
<td>- Other operating income</td>
<td>177 379</td>
<td>11 617</td>
<td>6 547</td>
<td>-</td>
<td>195 543</td>
<td></td>
</tr>
<tr>
<td><strong>Segment results</strong></td>
<td>(3 485 686)</td>
<td>8 549 606</td>
<td>354 801</td>
<td>-</td>
<td>5 418 721</td>
<td></td>
</tr>
<tr>
<td>Unallocated costs</td>
<td>-</td>
<td>-</td>
<td>(3 449 923)</td>
<td>-</td>
<td>(3 449 923)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 968 798</td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
<td>(856 623)</td>
<td>-</td>
<td>(856 623)</td>
<td></td>
</tr>
<tr>
<td><strong>(Loss) profit</strong></td>
<td>(3 485 686)</td>
<td>8 549 606</td>
<td>354 801</td>
<td>(4 306 546)</td>
<td>-</td>
<td>1 112 175</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>221 677 791</td>
<td>109 344 762</td>
<td>28 565 154</td>
<td>20 510 835</td>
<td>-</td>
<td>380 098 542</td>
</tr>
</tbody>
</table>

**Other segment items**

| Depreciation and amortization charge | (153 354) | (23 041) | (113 709) | (243 011) | - | (533 115) |
| Provision for loan impairment recovery of provision | (6 762 048) | (7 550) | (141 303) | - | - | (6 910 901) |
### Segment Analysis (continued)

#### In thousands of Russian Roubles

<table>
<thead>
<tr>
<th></th>
<th>Corporate banking</th>
<th>Operations on financial markets</th>
<th>Retail banking</th>
<th>Unallocated</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External revenues</td>
<td>20 668 455</td>
<td>3 854 502</td>
<td>2 556 992</td>
<td></td>
<td></td>
<td>27 079 949</td>
</tr>
<tr>
<td>Revenues from other segments</td>
<td>7 205 579</td>
<td>19 872 739</td>
<td>4 583 728</td>
<td></td>
<td>(3 166 204)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>27 874 034</td>
<td>23 727 241</td>
<td>7 140 720</td>
<td></td>
<td>(3 166 204)</td>
<td>27 079 949</td>
</tr>
</tbody>
</table>

**Total revenues comprise:**

- Interest income: 26 119 477
- Fee and commission income: 1 622 552
- Other operating income: 132 006

**Segment results:**

- (467 300) 8 666 407 678 643
- Unallocated costs: (3 270 320)

**Profit before tax:**

- Income tax expense: (1 294 522)

**(Loss) profit:**

- (467 300) 8 666 407 678 643 (4 564 842)

**Segment assets:**

- 190 545 597 86 898 548 21 805 251 46 237 381

**Other segment items**

- Depreciation and amortization charge: (83 196) (18 469) (63 757) (186 248)
- (Provision for loan impairment) Recovery of provision: (3 990 799) (399) 160 747

A reconciliation of segment information with IFRS assets as at 31 December 2012 and 31 December 2011 is set out below:

#### In thousands of Russian Roubles

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total segment assets</strong></td>
<td>380 098 542</td>
<td>345 486 777</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment of allowance for impairment</td>
<td>(24 163 219)</td>
<td>(21 591 570)</td>
</tr>
<tr>
<td>Adjustments of income / expense accruals</td>
<td>1 620 481</td>
<td>1 355 928</td>
</tr>
<tr>
<td>Premises, equipment and intangible assets depreciation and fair value adjustment</td>
<td>(647 271)</td>
<td>1 548 024</td>
</tr>
<tr>
<td>Fair value and amortized cost adjustments</td>
<td>267 936</td>
<td>3 194 254</td>
</tr>
<tr>
<td>Income tax adjustments</td>
<td>-</td>
<td>543 455</td>
</tr>
<tr>
<td>Elimination of assets additionally recognized in management accounting</td>
<td>(4 525 075)</td>
<td>(1 762 722)</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>(1 285 161)</td>
<td>1 259 312</td>
</tr>
</tbody>
</table>

**Total assets under IFRS**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>351 366 233</td>
<td>330 033 458</td>
</tr>
</tbody>
</table>
32 Segment Analysis (continued)

A reconciliation of segment information with IFRS profit before tax for the years ended 31 December 2012 and 31 December 2011 is set out below:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment profit before tax</td>
<td>1 968 798</td>
<td>5 607 430</td>
</tr>
<tr>
<td>Adjustment of provision for loan impairment</td>
<td>3 250 360</td>
<td>1 007 998</td>
</tr>
<tr>
<td>Adjustments of income / expense accruals</td>
<td>(631 674)</td>
<td>(389 636)</td>
</tr>
<tr>
<td>Premises, equipment and intangible assets depreciation, amortisation and fair value adjustment</td>
<td>(2 120)</td>
<td>873 003</td>
</tr>
<tr>
<td>Fair value and amortized cost adjustments</td>
<td>(2 721 786)</td>
<td>111 850</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>(80 565)</td>
<td>76 481</td>
</tr>
<tr>
<td><strong>Total profit before tax under IFRS</strong></td>
<td><strong>1 783 013</strong></td>
<td><strong>7 287 126</strong></td>
</tr>
</tbody>
</table>

**Geographical information.** The major part of the Group’s activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow and the Privolzhsky regions.

There are no customers (groups of related customers) with income from operations which exceed 10% of total income from operations with the external parties of the Group.

33 Risk Management

The risk management function is carried out in respect of financial risks (credit, market and liquidity risks), operational, geographical risks and legal risks. Market risk includes currency, price and interest rate risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions. Geographical risk management includes making decisions and setting limits for operations with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational, legal and reputation risk management functions are intended to ensure proper functioning of internal policies and procedures, development and implementation of measures to minimize these risks.

Risk management includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, economic performance of clients (principally – depositors and borrowers) and regulatory changes.

According to the Development strategy for 2012-2014 adopted in 2011, significant attention is paid to the development of financial risk management system. The projects implemented by the Bank in 2012 in compliance with the strategy are as follows:

1. Decision making process on standard retail products was centralized in one division – Standard Retail Lending Products Department

2. Scoring evaluation system previously applied only for uncollateralized consumer loans to individuals was implemented for certain lending products with collateral

3. Risk-based pricing system was implemented for loans to legal entities.
33 Risk Management (continued)

The main bodies performing the financial risk management functions are the Supervisory Board, Management Board, Asset and Liability Management Committee, Large Credit Committee, Corporate and Retail Credit Committee and the Technical Policy Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board approves risk management policy, makes decisions on significant deals in respect of which there is an interest, in accordance with the legislation, and on deals with related parties exceeding limits established by the Group’s Credit Policy. The Audit Committee attached to the Supervisory Board evaluates the effectiveness of actual internal control procedures and risk management procedures based on the analysis of reports submitted by Internal Control Department. The Risk Committee attached to the Supervisory Board and established in 2012 is responsible for compliance with financial and non-financial risk management policy. The Supervisory Board approves the Risk Management Policy, the compliance with which is supervised by reviews and approvals of quarterly risk management reports. Quarterly reports of the Banking Risks Department describe the risk position, both at the consolidated level and exposure to specific risks.

The Management Board is responsible for overall organization of the financial risk management system. The Management Board is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents in respect of risk management, approves risk management reports.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

The Asset and Liability Management Committee makes decisions on structural management of the statement of financial position and the related liquidity risks, and on determining and changing market and interest rate risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The Technical Policy Committee reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

The Banking Risks Department is responsible for the establishment of the effective risk management system, and compliance with the acceptable level of total, market, operational, legal and reputation risk exposure, as well as credit risk in respect of money markets transactions. The Banking Risks Department monitors risk management system related to market, credit (in respect of financial institutions and securities issuers), operational, legal and reputation risks, initiates the development of methods of assessment of current risk levels, management procedures for these risks, compliance by divisions with existing procedures and limits restricting the level of these risks. The Banking Risks Department coordinates the management of operational, legal and reputation risks.

The Management Board, Large Credit Committee, Corporate and Retail Credit Committee, and Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy annually. The Large Credit Committee makes decisions on credit risk-related transactions of the largest corporate customers. Corporate and Retail Credit Committee and Small Credit Committees of the branches make decisions on credit risk-related transactions of the corporate and retail customers. Decision making function on standard loans to individuals, with involvement of underwriters, is centralized in Standard Retail Lending Products Department.

Current management of credit risk is mostly performed by its specialized subdivision, the Credit Risk Division, exercising operational control over credit risk levels.
33 Risk Management (continued)

Toxic assets management is carried out by a separate business subdivision.

Credit risk. The Group is exposed to credit risk which is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations.

The Group considers credit risk to include all financial assets recognized in the consolidated statement of financial position except for assets deposited in the CBRF.

The approach of the Group to credit risk management is defined in the Credit Policy. The Credit Policy is aimed at formulation of the main principles of credit transactions and credit risk, providing for implementation of the aims and goals of the Group strategy concerning the structure, volume and quality of loan portfolio.

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following risk management tools.

For separate borrowers:

• assessment of the borrowers’ financial positions upon loan application and during ongoing loan monitoring
• assessment of credit risk and formation of loan impairment allowance in the amount of possible losses from the transaction
• structuring of credit transactions in compliance with the requirements of the Group
• evaluation of the market value of the collateral for a loan, control over availability and integrity of the collateral, and evaluation of financial position and creditworthiness of guarantors
• inquiry for credit reports from credit history bureau (CHB) and taking the information from CHB into consideration during the analysis of loan application
• for credit transactions with individuals, requiring scoring evaluation of creditworthiness of the borrower – consideration of scoring grade during the analysis of loan application
• for credit transactions with legal entities – consideration of the internal credit rating of the borrower during the analysis of loan application
• for credit transactions with financial institutions – assessment of financial position and credit risk of the counterparty during estimation of limits for the counterparty
• when setting limits on transactions with securities, which bear credit risk – assessment of financial position and credit risk of the issuer of securities
• control over meeting the requirements of the Credit Policy for setting the authorities on decision making in respect of credit operation, and control over the reflection of terms of credit transactions in the loan agreement or other agreements, as approved by the collegial authorities or officials
• control over timely performance of the borrowers’ obligations to the Group stipulated by the credit agreements
• insurance of the collateral.

For the loan portfolio in general:

• establishment of authorities for collegial bodies and officials
• establishment and control over the limits of credit risk
• control over covenants established by certain agreements with the lenders.
33 Risk Management (continued)

**Reporting forms**

Management controls credit risks and the loan portfolio quality based on regular (daily, weekly and monthly) reports.

**Decision to grant loans**

For credit risk management purposes the Bank established a collegial decision-making system for granting loans (except for standard loans granted to individuals under the preapproved programs). The branches and the head office have Small Credit Committees, which grant loans within the established limits. The specific limits are determined in the Credit Policy on the basis of credit performance in the previous year, the structure and quality of loan portfolios.

Decisions on loans above the limits of authority of Small Credit Committees is taken by the Corporate and Retail Credit Committee if the client is not related to the largest corporate clients or by the Large Credit Committee if the client relates to the largest corporate clients. Decisions on loans above the limits of authority of the Large Credit Committee are taken by the Management Board.

The loans to the borrowers related to the Group are granted with prior consent of the Supervisory Board.

**Limits for credit risk management purposes**

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions that are the Group’s creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Group takes into account all information available. When establishing an individual limit, the Group performs comprehensive analysis of the financial statements, cash flows, available credit history of each borrower or a group of related borrowers, the needs of each borrower or the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan.

The Credit Policy is consistent for unrecognised financial instruments and recognised financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products supporting the use of unrecognised financial instruments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks and financial companies when conducting transactions on the interbank lending market and performing purchase and sale of financial assets, including term currency operations when the counterparty bears the credit risk in settlements. The respective limits are established for each credit institution and financial company on the basis of a creditworthiness analysis performed by Large Credit Committee within its scope and by the Management Board. The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.
33 Risk Management (continued)

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>39 193 681</td>
<td>27 927 875</td>
</tr>
<tr>
<td>Mandatory cash balances</td>
<td>3 125 502</td>
<td>2 978 296</td>
</tr>
<tr>
<td>Trading securities</td>
<td>11 431 548</td>
<td>28 415 594</td>
</tr>
<tr>
<td>Trading securities pledged</td>
<td>35 291 039</td>
<td>15 134 382</td>
</tr>
<tr>
<td>Financial instruments</td>
<td>608 568</td>
<td>-</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>9 082 398</td>
<td>7 849 012</td>
</tr>
<tr>
<td>Due from banks</td>
<td>2 899 159</td>
<td>2 998 653</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>222 378 920</td>
<td>209 907 068</td>
</tr>
<tr>
<td>Investment securities</td>
<td>31 361</td>
<td>31 361</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1 075 216</td>
<td>1 215 205</td>
</tr>
<tr>
<td><strong>Total maximum exposure</strong></td>
<td><strong>325 117 392</strong></td>
<td><strong>296 457 446</strong></td>
</tr>
</tbody>
</table>

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 13.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 35.

Geographical risk. Geographical risk is almost fully defined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities are concentrated in the Russian Federation.

Saint Petersburg is the largest center of North-Western part of the Russian Federation with a diversified economy. This is why the historic business concentration of providing services to individuals and legal entities in Saint Petersburg is an advantage for the Group.

Market risks. The Group is exposed to the market risks arising from open positions in interest rate, currency and equity instruments that are exposed to general and specific market movements. These are defined as follows:

- currency risk - risk of losses due to exchange rate fluctuations
- interest rate risk - risk of losses due to fluctuations of market interest rates
- other price (equity) risk - risk of losses due to movements in quotations of the equity instrument.

The Banking Risks Department is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest rate risk.

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of position limits on financial instruments and sensitivity limits, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and VaR limits (limits on maximum VaR).
33 Risk Management (continued)

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates, prices and interest rates over a specified time horizon and to a given level of confidence. The VAR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and assets.

Although VAR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature.
- A 1-day holding period assumes that all positions can be liquidated or hedged within that period.
- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VAR estimate.
- VAR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day.
- The VAR measure is dependent upon the position and the volatility of market prices. The VAR of an unchanged position reduces if market volatility declines and vice versa.

The limitations of the VAR methodology are recognised by supplementing VAR limits with other limits mentioned above (position limits and stop-loss limits).

A summary of the VAR estimates of losses as at 31 December 2012 and 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>31 December 2012</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Bonds</td>
<td>96</td>
<td>156</td>
</tr>
<tr>
<td>Eurobonds</td>
<td>37</td>
<td>22</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Precious metals</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Money market</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Aggregated VaR</td>
<td>112</td>
<td>160</td>
</tr>
</tbody>
</table>

The VAR estimates stated above are calculated for the trading portfolio of equity and debt financial instruments, for the open currency position of the Bank and for the portfolio of derivative financial instruments.

The Banking Risks Department prepares proposals on establishing market risk limits applied by the Bank (hereinafter including VaR limits). Limits are established by the Management Board, Large Credit Committee and Asset and Liability Management Committee in accordance with their authority. Compliance with market risk limits is daily controlled by the Operations Department (back office).

Currency risk. Currency risk is the risk of changes in income or carrying value of financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions in a foreign currency (up to 10% of the capital determined in accordance with the CBRF regulations) and the limit on the open position in all foreign currencies (up to 20% of the equity estimated in compliance with the CBRF).
33 Risk Management (continued)

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2012. The Group does not use this currency risk analysis for management purposes.

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>RR</th>
<th>US Dollars</th>
<th>Euro</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,362,884</td>
<td>3,004,028</td>
<td>26,526,141</td>
<td>45,098</td>
<td>43,938,151</td>
</tr>
<tr>
<td>Mandatory cash balances with the Central Bank of the Russian Federation</td>
<td>3,125,502</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,125,502</td>
</tr>
<tr>
<td>Trading securities</td>
<td>6,604,720</td>
<td>4,858,333</td>
<td>-</td>
<td>-</td>
<td>11,463,053</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>33,409,717</td>
<td>1,881,322</td>
<td>-</td>
<td>-</td>
<td>35,291,039</td>
</tr>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td>-</td>
<td>608,568</td>
<td>-</td>
<td>-</td>
<td>608,568</td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements</td>
<td>7,544,053</td>
<td>1,538,345</td>
<td>-</td>
<td>-</td>
<td>9,082,398</td>
</tr>
<tr>
<td>Due from banks</td>
<td>2,839,021</td>
<td>60,138</td>
<td>-</td>
<td>-</td>
<td>2,999,159</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>189,392,973</td>
<td>23,514,212</td>
<td>9,471,735</td>
<td>-</td>
<td>222,378,920</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>3,450,627</td>
<td>70,632</td>
<td>-</td>
<td>-</td>
<td>3,521,259</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>31,361</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,361</td>
</tr>
<tr>
<td>Investment property</td>
<td>2,855,756</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,855,756</td>
</tr>
<tr>
<td>Premises, equipment and intangible assets</td>
<td>13,971,681</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,971,681</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,011,927</td>
<td>106,053</td>
<td>73,946</td>
<td>7,460</td>
<td>2,199,386</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>279,600,222</td>
<td>35,641,631</td>
<td>36,071,822</td>
<td>52,558</td>
<td>351,366,233</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>51,095,056</td>
<td>1,133,382</td>
<td>25,864</td>
<td>-</td>
<td>52,254,302</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>180,077,030</td>
<td>25,673,278</td>
<td>16,365,626</td>
<td>680,800</td>
<td>222,796,734</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>10,674,577</td>
<td>6,209,007</td>
<td>-</td>
<td>-</td>
<td>16,883,584</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>2,618,784</td>
<td>1,170,028</td>
<td>1,455,522</td>
<td>-</td>
<td>5,244,334</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>1,465,892</td>
<td>8,208,377</td>
<td>1,736,359</td>
<td>-</td>
<td>11,410,628</td>
</tr>
<tr>
<td>Income tax liability</td>
<td>37,664</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,664</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>604,705</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>604,705</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,643,720</td>
<td>45,858</td>
<td>126,205</td>
<td>-</td>
<td>1,815,783</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>248,217,428</td>
<td>42,439,930</td>
<td>19,709,576</td>
<td>680,800</td>
<td>311,047,734</td>
</tr>
<tr>
<td>Add fair value of currency derivatives</td>
<td>232,577</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>232,577</td>
</tr>
<tr>
<td><strong>Net recognised position, excluding currency derivative financial instruments</strong></td>
<td>31,615,371</td>
<td>(6,798,299)</td>
<td>16,362,246</td>
<td>(628,242)</td>
<td>40,551,076</td>
</tr>
<tr>
<td>Currency derivatives</td>
<td>10,598,886</td>
<td>6,280,579</td>
<td>(17,756,819)</td>
<td>644,777</td>
<td>(232,577)</td>
</tr>
<tr>
<td><strong>Net recognised position, including currency derivative financial instruments</strong></td>
<td>42,214,257</td>
<td>(517,720)</td>
<td>(1,394,573)</td>
<td>16,535</td>
<td>40,318,499</td>
</tr>
</tbody>
</table>
33 Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2011. The Group does not use this currency risk analysis for management purposes.

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>RR</th>
<th>US Dollars</th>
<th>Euro</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11 117 464</td>
<td>6 747 603</td>
<td>14 891 677</td>
<td>18 563</td>
<td>32 775 307</td>
</tr>
<tr>
<td>Mandatory cash balances with the Central Bank of the Russian Federation</td>
<td>2 978 296</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 978 296</td>
</tr>
<tr>
<td>Trading securities</td>
<td>25 011 592</td>
<td>4 032 064</td>
<td>-</td>
<td>-</td>
<td>29 043 656</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>15 134 382</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15 134 382</td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements</td>
<td>6 492 546</td>
<td>1 356 466</td>
<td>-</td>
<td>-</td>
<td>7 849 012</td>
</tr>
<tr>
<td>Due from banks</td>
<td>1 261 349</td>
<td>1 320 238</td>
<td>417 066</td>
<td>-</td>
<td>2 998 653</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>170 255 214</td>
<td>29 645 398</td>
<td>10 006 456</td>
<td>-</td>
<td>209 907 068</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>3 927 333</td>
<td>2 947 841</td>
<td>-</td>
<td>-</td>
<td>6 875 174</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>31 361</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31 361</td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>491 193</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>491 193</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>52 262</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52 262</td>
</tr>
<tr>
<td>Investment property</td>
<td>4 524 333</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 524 333</td>
</tr>
<tr>
<td>Premises, equipment and intangible assets</td>
<td>14 134 509</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14 134 509</td>
</tr>
<tr>
<td>Other assets</td>
<td>3 001 428</td>
<td>101 989</td>
<td>134 835</td>
<td>-</td>
<td>3 238 252</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>258 413 262</td>
<td>46 151 599</td>
<td>25 450 034</td>
<td>18 563</td>
<td>330 033 458</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>25 858 749</td>
<td>1 141 915</td>
<td>198 231</td>
<td>-</td>
<td>27 198 895</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>182 454 062</td>
<td>25 724 847</td>
<td>18 428 777</td>
<td>95 204</td>
<td>226 702 890</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>8 232 277</td>
<td>3 323 247</td>
<td>-</td>
<td>-</td>
<td>11 555 524</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>5 691 902</td>
<td>2 607 133</td>
<td>1 057 409</td>
<td>-</td>
<td>9 356 444</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>1 465 561</td>
<td>9 083 771</td>
<td>1 528 924</td>
<td>-</td>
<td>12 078 256</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>1 132 896</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 132 896</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1 797 726</td>
<td>7 721</td>
<td>180 303</td>
<td>-</td>
<td>1 985 750</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>226 633 173</td>
<td>41 888 634</td>
<td>21 393 644</td>
<td>95 204</td>
<td>290 010 655</td>
</tr>
<tr>
<td>Add fair value of currency derivatives</td>
<td>105 860</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>105 860</td>
</tr>
<tr>
<td><strong>Net recognised position, excluding currency derivative financial instruments</strong></td>
<td>31 885 949</td>
<td>4 262 965</td>
<td>4 056 390</td>
<td>(76 641)</td>
<td>40 128 663</td>
</tr>
<tr>
<td><strong>Currency derivatives</strong></td>
<td>11 091 944</td>
<td>(6 246 515)</td>
<td>(5 215 269)</td>
<td>263 980</td>
<td>(105 860)</td>
</tr>
<tr>
<td><strong>Net recognised position, including currency derivative financial instruments</strong></td>
<td>42 977 893</td>
<td>(1 983 550)</td>
<td>(1 158 879)</td>
<td>187 339</td>
<td>40 022 803</td>
</tr>
</tbody>
</table>
33 Risk Management (continued)

**Interest rate risk.** The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins and accordingly profit may decrease.

The table below summarises the effective interest rates by currency for major financial instruments. The analysis is prepared based on effective rates as at 31 December 2012 and 31 December 2011 used for amortisation of the respective assets/liabilities.

<table>
<thead>
<tr>
<th>In % p.a.</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RR</td>
<td>USD</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>0.89</td>
<td>0.01</td>
</tr>
<tr>
<td>Debt trading securities</td>
<td>9.03</td>
<td>4.66</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>7.77</td>
<td>1.40</td>
</tr>
<tr>
<td>Financial instruments at fair value through profit and loss</td>
<td>-</td>
<td>6.00</td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements</td>
<td>6.70</td>
<td>5.84</td>
</tr>
<tr>
<td>Due from banks</td>
<td>5.28</td>
<td>0.00</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>10.35</td>
<td>8.15</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>0.00</td>
<td>-</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks</td>
<td>5.81</td>
<td>0.27</td>
</tr>
<tr>
<td>Customer accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- current and settlement accounts</td>
<td>0.52</td>
<td>0.01</td>
</tr>
<tr>
<td>- term deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- individuals</td>
<td>8.46</td>
<td>4.87</td>
</tr>
<tr>
<td>- legal entities</td>
<td>7.88</td>
<td>3.56</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>9.81</td>
<td>9.83</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>5.36</td>
<td>3.65</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>6.69</td>
<td>7.51</td>
</tr>
</tbody>
</table>

The sign “-” in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Interest rate risk management represents management of assets and liabilities to maximize profit and reduce losses from possible fluctuations in interest rates and the statement of financial position structure. Interest rate risk management is an important part of overall risk management and significantly affects the financial performance.

Interest rate risk management is performed centrally on continuing basis by the Management Board, Asset and Liability Management Committee and Treasury Department.

The Group uses the following interest rate risk management tools:

- approval of structure of limits and restrictions for interest rate risk
- approval of the statement of financial position structure
- management of interest rates and their limits for different financial instruments
- implementation and facilitation of new banking products
33 Risk Management (continued)

- approval of methods (procedures) for interest rate risk evaluation
- financial instrument transactions
- constant interest rate risk monitoring.

Management uses a GAP report as the major analytical form for interest rate risk. The analysis is carried out by major currencies distributed according to the revaluation intervals.

For the purposes of interest rate risk evaluation the Group utilizes Interest Rate Risk Management Report that additionally takes into account items of floating capital and statistically stable liabilities that are resistant to interest rate risk with the average interest rate revaluation interval of four years.

The Group maintains the ratio of total capital used to cover the interest rate risk to capital at a level not more than 30%.

It also measures the sensitivity of annual net interest income to changes in the general level of interest rates as an additional method for interest rate risk evaluation.

Apart from the indices mentioned above the Group calculates the potential effect of interest GAPs that is a change in the present value of assets and liabilities in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

In December 2012 a new Interest Rate Policy was adopted that sets the requirements to banking interest bearing products and provides more effective interest rate risk management. The Bank plans to revise its product lines in accordance with the requirements of the Policy.

During the first half of 2012 there was a decreasing trend in interest rates which changed in the second half of the year. To manage interest rate risk the Group set interest rates for placements and borrowings targeting the market pertaining to interest rates of competitors and decreasing the slope of the interest rate curve. At the end of 2012 the Group lengthened RR balances GAPs on the assumptions of future market trends.

In April 2012 the Group made a decision to decrease its interest rates on US dollar-denominated and euro-denominated resources compared to its competitors, in order to decrease liabilities in foreign currencies and accordingly decrease potential loss from interest rate risk in case of possible increase in rates for US dollar-denominated and euro-denominated resources in 2013. As the result of these measures positive GAPs with terms of more than 1 year on the foreign currency position decreased in 2012 and remained at a low level. These measures enable the Group to reach optimal volume of foreign currency loan portfolio and to reduce the risk of losses from foreign currency interest rate increases.
33 Risk Management (continued)

**Other price (equity) risk.** The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations.

The limits are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments. In addition to particular limits there is a cumulative limit for the amount of open equity positions.

If the risk becomes material the mitigation arrangements are determined by the Management Board.

**Liquidity risk.** Liquidity risk is defined as the risk when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of customers. Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding.

The basis for managing short-term liquidity (less than 3 months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by an internal regulation approved by the Supervisory Board.

Management applies the following main instruments for liquidity management:

- In the short term the most effective way to manage liquidity is to manage the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free repayment of debt;

- In certain cases management may impose restrictions on some transactions to regulate the statement of financial position structure. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity;
33 Risk Management (continued)

- Raising long-term funds. During 2012, the Group raised significant amounts on the global long-term debt. Refer to notes 20 and 22.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances on customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements under term contracts in short-term periods. This analytical data serves as a basis for management of the liquidity position.

Short-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

Long-term (over 3 months) liquidity monitoring is based on analysis of liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period without incurring losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Management analyses the liquidity gaps for assets and liabilities broken down by various terms on an accrual basis.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, within 2012 and 2011 the Bank complied with the liquidity ratios established by the CBRF.
Below is the IFRS liquidity position at 31 December 2012. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments at fair value through profit or loss, which are shown in the category “Demand and less than 1 month”.

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Demand and less than 1 month</th>
<th>From 1 to 6 months</th>
<th>From 6 to 12 months</th>
<th>From 1 to 5 years</th>
<th>More than 5 years or no maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>43 938 151</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43 938 151</td>
</tr>
<tr>
<td>Mandatory cash balances with the Central Bank of the Russian Federation</td>
<td>1 439 617</td>
<td>1 053 940</td>
<td>488 139</td>
<td>143 064</td>
<td>742</td>
<td>3 125 502</td>
</tr>
<tr>
<td>Trading securities</td>
<td>11 463 053</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11 463 053</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>35 291 039</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35 291 039</td>
</tr>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td>-</td>
<td>608 568</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>608 568</td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements</td>
<td>6 341 438</td>
<td>2 740 968</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9 082 398</td>
</tr>
<tr>
<td>Due from banks</td>
<td>555 138</td>
<td>1 750 021</td>
<td>594 000</td>
<td>-</td>
<td>-</td>
<td>2 899 159</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>6 612 229</td>
<td>45 051 078</td>
<td>50 510 537</td>
<td>104 289 325</td>
<td>15 915 751</td>
<td>222 378 920</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 521 259</td>
<td>3 521 259</td>
</tr>
<tr>
<td>Investment securities held-to-maturity</td>
<td>31 361</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31 361</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Premises, equipment and intangible assets</td>
<td>1 000 138</td>
<td>412 405</td>
<td>70 565</td>
<td>644 957</td>
<td>71 321</td>
<td>2 199 386</td>
</tr>
<tr>
<td>Other assets</td>
<td>1 000 138</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>106 672 164</td>
<td>51 616 972</td>
<td>51 663 241</td>
<td>105 077 346</td>
<td>36 336 510</td>
<td>351 366 233</td>
</tr>
</tbody>
</table>

| **LIABILITIES**                |                               |                    |                     |                  |                               |       |
| Due to banks                   | 45 880 047                    | 5 474 437          | 899 818             | -                | -                             | 52 254 302 |
| Customer accounts              | 102 609 914                   | 75 135 429         | 34 799 428          | 10 199 061       | 52 902                        | 222 796 734 |
| Bonds issued                   | -                             | 46 910             | 5 530 683           | 8 199 272        | 3 106 719                     | 16 883 584 |
| Other debt securities in issue | 1 433 757                    | 2 264 717          | 1 307 358           | 238 502          | -                             | 5 244 334 |
| Other borrowed funds           | 1 068 817                     | 2 093 653          | 1 725 912           | 4 130 518        | 2 391 728                     | 11 410 628 |
| Income tax liability           | -                             | 37 664             | -                   | -                | -                             | 37 664 |
| Deferred tax liability         | -                             | -                  | -                   | -                | -                             | 604 705 |
| Other liabilities              | 959 869                      | 619 279            | 161 163             | 72 836           | 2 636                         | 1 815 783 |
| **TOTAL LIABILITIES**          | 151 952 404                   | 85 672 089         | 44 424 362          | 22 840 189       | 6 158 690                     | 311 047 734 |

Net liquidity gap | (45 280 240) | (34 055 117) | 7 238 879 | 82 237 157 | 30 177 820 | 40 318 499 |

Cumulative liquidity gap as at 31 December 2012 | (45 280 240) | (79 335 357) | (72 096 478) | 10 140 679 | 40 318 499 |
### Risk Management (continued)

Below is the IFRS liquidity position at 31 December 2011.

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Demand and less than 1 month</th>
<th>From 1 to 6 months</th>
<th>From 6 to 12 months</th>
<th>From 1 to 5 years</th>
<th>More than 5 years or no maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>32 775 307</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32 775 307</td>
</tr>
<tr>
<td>Mandatory cash balances with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the Central Bank of the Russian Federation</td>
<td>1,427,456</td>
<td>890,313</td>
<td>492,034</td>
<td>167,810</td>
<td>683</td>
<td>2,978,296</td>
</tr>
<tr>
<td>Trading securities</td>
<td>29,043,656</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,043,656</td>
</tr>
<tr>
<td>Trading securities pledged</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under sale and repurchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable under</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reverse repurchase agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks</td>
<td>1,737,383</td>
<td>702,092</td>
<td>57,584</td>
<td>501,594</td>
<td>-</td>
<td>2,998,653</td>
</tr>
<tr>
<td>Loans and advances to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers</td>
<td>3,519,293</td>
<td>51,449,060</td>
<td>59,086,453</td>
<td>86,315,692</td>
<td>9,536,570</td>
<td>209,907,068</td>
</tr>
<tr>
<td>Investment securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities held-to-</td>
<td>31,361</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,361</td>
</tr>
<tr>
<td>maturity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>-</td>
<td>491,193</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>491,193</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52,262</td>
<td>52,262</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,524,333</td>
<td>4,524,333</td>
</tr>
<tr>
<td>Premises, equipment and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>1,523,561</td>
<td>351,292</td>
<td>600,935</td>
<td>675,579</td>
<td>86,885</td>
<td>3,238,252</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>93,040,141</td>
<td>53,885,220</td>
<td>60,237,006</td>
<td>87,660,675</td>
<td>35,210,416</td>
<td>330,033,458</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>20,757,359</td>
<td>5,029,764</td>
<td>1,411,772</td>
<td>-</td>
<td>-</td>
<td>27,198,895</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>-</td>
<td>-</td>
<td>8,232,277</td>
<td>-</td>
<td>3,323,247</td>
<td>11,555,524</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>2,545,817</td>
<td>3,531,934</td>
<td>2,847,209</td>
<td>431,484</td>
<td>-</td>
<td>9,356,444</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>-</td>
<td>217,880</td>
<td>637,158</td>
<td>8,689,869</td>
<td>2,533,349</td>
<td>12,078,256</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,132,896</td>
<td>1,132,896</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>665,940</td>
<td>856,203</td>
<td>212,235</td>
<td>248,672</td>
<td>2,700</td>
<td>1,985,750</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>132,621,888</td>
<td>77,406,536</td>
<td>42,562,036</td>
<td>30,376,012</td>
<td>7,044,183</td>
<td>290,010,655</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(39,581,747)</td>
<td>(23,521,316)</td>
<td>17,674,970</td>
<td>57,284,663</td>
<td>28,166,233</td>
<td>40,022,803</td>
</tr>
<tr>
<td><strong>Cumulative liquidity gap as</strong></td>
<td><strong>at 31 December 2011</strong></td>
<td>(39,581,747)</td>
<td>(63,103,063)</td>
<td>(45,428,093)</td>
<td>11,856,570</td>
<td>40,022,803</td>
</tr>
</tbody>
</table>

Management believes that available undrawn credit lines with other banks and financial institutions of RR 51,950,000 thousand in total and stability of customer accounts will fully cover the liquidity gap in the tables above.
33 Risk Management (continued)

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits as at 31 December 2012 and 2011, by each time band, is as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 month</td>
<td>9 706 533</td>
<td>9 662 098</td>
</tr>
<tr>
<td>From 1 to 6 months</td>
<td>38 236 619</td>
<td>28 173 193</td>
</tr>
<tr>
<td>From 6 to 12 months</td>
<td>24 104 697</td>
<td>22 519 787</td>
</tr>
<tr>
<td>From 1 to 5 years</td>
<td>5 737 377</td>
<td>9 066 634</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>52 978</td>
<td>51 991</td>
</tr>
</tbody>
</table>

Total term deposits of individuals 77 838 204 69 473 703

The main differences between liquidity tables prepared under IFRS by contractual maturity and the tables prepared for management purposes are as follows:

1. The total assets differ because the impairment allowance on loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for IFRS purposes loans and advances to customers is reduced by the allowance;

2. The Bank applies internal methods to determine the maturity of deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for Group management purposes;

3. The Bank also applies internal methods to account for the trading securities portfolio that take into account market conditions and actual opportunities to sell and use assets as collateral.

The tables below show distribution of liabilities as at 31 December 2012 and 31 December 2011 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the amounts in the statement of financial position which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

As at 31 December 2012:

<table>
<thead>
<tr>
<th>In thousands of Russian Rubles</th>
<th>Demand and less than 1 month</th>
<th>From 1 to 6 months</th>
<th>From 6 to 12 months</th>
<th>From 1 to 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>45 949 245</td>
<td>5 615 530</td>
<td>948 485</td>
<td>-</td>
<td>-</td>
<td>52 513 260</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>102 736 537</td>
<td>76 788 186</td>
<td>36 610 060</td>
<td>10 860 864</td>
<td>74 721</td>
<td>227 050 368</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>115 872</td>
<td>701 069</td>
<td>6 183 675</td>
<td>11 261 408</td>
<td>3 405 084</td>
<td>21 667 108</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>1 456 168</td>
<td>2 287 528</td>
<td>1 355 814</td>
<td>260 667</td>
<td>-</td>
<td>5 360 177</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>1 241 226</td>
<td>2 330 086</td>
<td>2 101 515</td>
<td>5 669 145</td>
<td>3 052 793</td>
<td>14 394 765</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>975 917</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>975 917</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- inflow</td>
<td>(120 182 537)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(120 182 537)</td>
</tr>
<tr>
<td>- outflow</td>
<td>120 378 233</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>120 378 233</td>
</tr>
</tbody>
</table>

Total future undiscounted cash flows 152 670 661 87 702 399 47 199 549 28 052 084 6 532 598 322 157 291
33 Risk Management (continued)

As at 31 December 2011:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Demand and less than 1 month</th>
<th>From 1 to 6 months</th>
<th>From 6 to 12 months</th>
<th>From 1 to 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>20 770 859</td>
<td>5 105 040</td>
<td>1 501 710</td>
<td>-</td>
<td>-</td>
<td>27 377 609</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>109 114 041</td>
<td>71 521 818</td>
<td>39 492 075</td>
<td>13 562 329</td>
<td>79 202</td>
<td>233 769 465</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>169 030</td>
<td>320 603</td>
<td>489 633</td>
<td>10 144 081</td>
<td>3 557 669</td>
<td>14 681 016</td>
</tr>
<tr>
<td>Other debt securities in issue</td>
<td>2 712 172</td>
<td>3 618 592</td>
<td>3 006 918</td>
<td>475 018</td>
<td>-</td>
<td>9 812 700</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>197 606</td>
<td>487 834</td>
<td>1 113 284</td>
<td>11 055 391</td>
<td>3 564 068</td>
<td>16 418 183</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>1 117 347</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 117 347</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- inflow</td>
<td>(92 101 113)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(92 101 113)</td>
</tr>
<tr>
<td>- outflow</td>
<td>92 105 769</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>92 105 769</td>
</tr>
</tbody>
</table>

Total future undiscounted cash flows 134 085 711 81 053 887 45 603 620 35 236 819 7 200 939 303 180 976

Credit related commitments are disclosed in note 35.

Operational risk. The Group manages operational risk by mitigation to the acceptable level undertaking certain measures preventing situations which may originate the risk and by insurance of those type of operational risk which cannot be managed.

There is an approved business continuity plan intended to avoid interruptions in activity or/and recovery actions for the Bank in case of emergency. Attached to this plan are detailed instructions for the employees of the Bank for different emergency situations.

Legal risk. The Group uses standard legal documents for the majority of its transactions. In exceptional cases all non-standard documents have to be agreed before the transaction.

34 Management of Capital

The objectives when managing capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), in accordance with financial covenants set in borrowing agreements.

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets (statutory capital adequacy ratio) of at least 10%. Regulatory capital and capital adequacy is based on reports prepared under Russian statutory accounting standards and comprises:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>31 December 2012 (unaudited)</th>
<th>31 December 2011 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital</td>
<td>42 774 144</td>
<td>40 009 078</td>
</tr>
<tr>
<td>Total regulatory capital adequacy ratio</td>
<td>12.00%</td>
<td>11.96%</td>
</tr>
</tbody>
</table>

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.
34 Management of Capital (continued)

Based on the calculations performed on the daily basis by the Planning and Financial Control Department, Management believes that during 2012 and 2011 the capital adequacy ratio was not below the minimum requirement.

(ii) Arrangements to safeguard the Group’s ability to continue as a going concern are performed under the Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank plans its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved by the following collegial management bodies in order of the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets. In some cases management uses administrative measures to influence the statement of financial position structure through interest rate policy, and in exceptional cases, through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreement with the EBRD the Bank has a commitment to maintain the total capital adequacy ratio of 11%, which is calculated under the requirements of Basel I (refer to note 22). This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy ratio are defined in the Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

Below is the capital and capital adequacy ratio calculated in accordance with Basel I:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>31 December 2012</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>48 887 152</td>
<td>47 077 193</td>
</tr>
<tr>
<td>Tier 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-in share capital</td>
<td>35 090 782</td>
<td>34 394 040</td>
</tr>
<tr>
<td>Reserves and profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share premium</td>
<td>3 648 110</td>
<td>3 648 110</td>
</tr>
<tr>
<td>- Retained earnings</td>
<td>31 442 672</td>
<td>30 745 930</td>
</tr>
<tr>
<td>Tier 2</td>
<td>13 796 370</td>
<td>12 683 153</td>
</tr>
<tr>
<td>Revaluation reserve for premises</td>
<td>3 339 031</td>
<td>3 346 303</td>
</tr>
<tr>
<td>Revaluation reserve for investment securities available-for-sale</td>
<td>1 888 686</td>
<td>2 282 460</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>8 568 653</td>
<td>7 054 390</td>
</tr>
<tr>
<td>Risk weighted assets</td>
<td>354 489 186</td>
<td>338 124 747</td>
</tr>
<tr>
<td>Risk weighted banking assets</td>
<td>254 098 198</td>
<td>246 469 028</td>
</tr>
<tr>
<td>Risk weighted trading assets</td>
<td>59 851 613</td>
<td>52 269 900</td>
</tr>
<tr>
<td>Risk weighted unrecognized exposures</td>
<td>40 593 375</td>
<td>39 385 819</td>
</tr>
<tr>
<td>Total capital adequacy ratio</td>
<td>13.79%</td>
<td>13.92%</td>
</tr>
<tr>
<td>Total tier 1 capital</td>
<td>9.90%</td>
<td>10.17%</td>
</tr>
</tbody>
</table>
34 Management of Capital (continued)

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors during 2012 and 2011.

In October 2012 the Group placed 505 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 200 000) for the total amount of 101 million USD and maturity in six years. These Eurobonds were registered as a part of additional statutory capital by the CBR on 8 October 2012.

35 Contingencies, Commitments and Derivative Financial Instruments

Litigation. From time to time and in the normal course of business, third parties’ claims against the Group are received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of known claims and accordingly no loss provision has been made in these consolidated financial statements.

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2010, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover a longer period.

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2012 and 31 December 2011 no provision for potential tax liabilities was recorded.

Capital expenditure commitments. At 31 December 2012 the Group had no contractual capital expenditure commitments in respect of reconstruction and purchase of premises (2011: none).

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th>in thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>50 917</td>
<td>37 869</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>43 547</td>
<td>17 714</td>
</tr>
<tr>
<td>Total operating lease commitments</td>
<td>94 464</td>
<td>55 583</td>
</tr>
</tbody>
</table>

Compliance with covenants. The Group should observe certain covenants, primarily, relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to activity, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;
35 Contingencies, Commitments and Derivative Financial Instruments (continued)

Restrictive covenants, including constraints (without lender’s consent) in respect of dividend payments and other distributions, changes in the shareholder structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, the share of overdue balances in the credit portfolio, meeting certain requirements to the level of risk provisions, monitoring the expenditure patterns;

Reporting requirements, obliging the Group to provide its audited financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

As at 31 December 2012 and 2011, and during the years then ended, management believes that the Group was in compliance with all covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to credit risk as at the year end in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees issued</td>
<td></td>
<td>39 796 361</td>
<td>37 936 883</td>
</tr>
<tr>
<td>Revocable undrawn credit lines</td>
<td></td>
<td>20 783 754</td>
<td>16 090 654</td>
</tr>
<tr>
<td>Import letters of credit</td>
<td></td>
<td>3 353 517</td>
<td>5 748 554</td>
</tr>
<tr>
<td>Allowance for credit losses</td>
<td>23</td>
<td>(162 057)</td>
<td>(191 003)</td>
</tr>
<tr>
<td>Total credit related commitments</td>
<td></td>
<td>63 771 575</td>
<td>59 585 088</td>
</tr>
</tbody>
</table>

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being disbursed. The maturity of credit related commitments depend on types of guarantees and undrawn credit lines and are mainly classified into category of On demand and less than 1 month.
35 Contingencies, Commitments and Derivative Financial Instruments (continued)

The following table provides information on collateral securing guarantees issued, net of allowance for credit losses, by types of collateral presented on the basis of excluding overcollateralization at 31 December 2012 and 2011:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim rights</td>
<td>1 433 068</td>
<td>7 068 241</td>
</tr>
<tr>
<td>Deposits</td>
<td>595 158</td>
<td>354 782</td>
</tr>
<tr>
<td>Movable property</td>
<td>482 063</td>
<td>1 057 503</td>
</tr>
<tr>
<td>Promissory notes</td>
<td>475 940</td>
<td>500 773</td>
</tr>
<tr>
<td>Other collateral</td>
<td>287 208</td>
<td>1 488 616</td>
</tr>
<tr>
<td>No collateral</td>
<td>36 478 638</td>
<td>27 449 997</td>
</tr>
</tbody>
</table>

Total collateral for guarantees issued | 39 752 075 | 37 919 912 |

As at 31 December 2012, customer accounts include deposits amounting to R 529 578 thousand representing security for irrevocable liabilities on import letters of credit (2011: R 2 575 619 thousand). Refer to note 19.

**Fiduciary assets.** These assets are not included in the consolidated statement of financial position as they are not the Group’s assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices no insurance cover is provided for these fiduciary assets. The fiduciary assets fall into the following categories:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>2012 Nominal value</th>
<th>2011 Nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate shares held in custody of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depository Clearing Company</td>
<td></td>
<td>70</td>
</tr>
<tr>
<td>- National Depository Centre</td>
<td>1 396</td>
<td>1 810</td>
</tr>
<tr>
<td>- other registrars and depositories</td>
<td>355 281</td>
<td>369 905</td>
</tr>
<tr>
<td>- registers of share issuers</td>
<td>1 464 195</td>
<td>1 464 195</td>
</tr>
</tbody>
</table>

Municipal bonds held in custody of:

<table>
<thead>
<tr>
<th></th>
<th>2012 Nominal value</th>
<th>2011 Nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td>- St. Petersburg Settlement and Depository Centre</td>
<td></td>
<td>58</td>
</tr>
<tr>
<td>- National Depository Centre</td>
<td>1 293</td>
<td>-</td>
</tr>
</tbody>
</table>

**Derivative financial instruments.** Currency derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in foreign exchange rates. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

The table below shows fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards and futures contracts, and interest rate forward contracts. The table reflects contracts with settlement dates after the relevant reporting period. The amounts under these contracts are shown before the netting of any counterparty positions (and payments). The contracts on foreign exchange derivatives are short term in nature. The contracts on interest rate derivatives are long term in nature.
### Notes to the Consolidated Financial Statements – 31 December 2012

#### Contingencies, Commitments and Derivative Financial Instruments (continued)

**Foreign exchange forwards, options: fair values, at the reporting date, of**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net asset forwards</td>
<td>Net liability forwards</td>
</tr>
<tr>
<td>USD receivable on settlement (+)</td>
<td>19,812,408</td>
<td>39,236,654</td>
</tr>
<tr>
<td>USD payable on settlement (-)</td>
<td>(19,622,444)</td>
<td>(37,662,550)</td>
</tr>
<tr>
<td>Euros receivable on settlement (+)</td>
<td>6,545,193</td>
<td>4,614,220</td>
</tr>
<tr>
<td>Euros payable on settlement (-)</td>
<td>(4,012,440)</td>
<td>(21,553,313)</td>
</tr>
<tr>
<td>RR receivable on settlement (+)</td>
<td>12,617,033</td>
<td>37,536,021</td>
</tr>
<tr>
<td>RR payable on settlement (-)</td>
<td>(14,173,185)</td>
<td>(24,153,463)</td>
</tr>
<tr>
<td>Other currency receivable settlement (+)</td>
<td>838,410</td>
<td>7,739</td>
</tr>
<tr>
<td>Other currency payable settlement (-)</td>
<td>-</td>
<td>(201,372)</td>
</tr>
<tr>
<td><strong>Total on foreign exchange forwards, options</strong></td>
<td><strong>2,004,975</strong></td>
<td><strong>(2,176,064)</strong></td>
</tr>
</tbody>
</table>

**Foreign exchange futures: fair values, at the reporting date, of**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net asset futures</td>
<td>Net liability futures</td>
</tr>
<tr>
<td>USD receivable on settlement (+)</td>
<td>1,395,605</td>
<td>4,913,538</td>
</tr>
<tr>
<td>USD payable on settlement (-)</td>
<td>(17,428)</td>
<td>(2,679,744)</td>
</tr>
<tr>
<td>Euros receivable on settlement (+)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Euros payable on settlement (-)</td>
<td>-</td>
<td>(3,350,479)</td>
</tr>
<tr>
<td>RR receivable on settlement (+)</td>
<td>17,428</td>
<td>6,030,223</td>
</tr>
<tr>
<td>RR payable on settlement (-)</td>
<td>(1,395,605)</td>
<td>(4,913,538)</td>
</tr>
<tr>
<td><strong>Total on foreign exchange futures</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Interest rate forwards: fair values, at the reporting date, of**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net asset forwards</td>
<td>Net liability forwards</td>
</tr>
<tr>
<td>USD receivable on settlement (+)</td>
<td>-</td>
<td>904,540</td>
</tr>
<tr>
<td>USD payable on settlement (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>RR receivable on settlement (+)</td>
<td>-</td>
<td>57,287</td>
</tr>
<tr>
<td>RR payable on settlement (-)</td>
<td>-</td>
<td>(1,023,315)</td>
</tr>
<tr>
<td><strong>Total on interest rate forwards</strong></td>
<td><strong>-</strong></td>
<td><strong>(61,488)</strong></td>
</tr>
</tbody>
</table>

**Unlisted options: fair values, at the reporting date, of:**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net asset forwards</td>
<td>Net liability forwards</td>
</tr>
<tr>
<td>USD transactions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other currency transactions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total on unlisted options</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Net fair value of derivative financial instruments**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net asset forwards</td>
<td>Net liability forwards</td>
</tr>
<tr>
<td>2,004,975</td>
<td>(2,237,552)</td>
<td>2,459,279</td>
</tr>
</tbody>
</table>
35 Contingencies, Commitments and Derivative Financial Instruments (continued)

Currency and other derivative financial instruments are usually subject to trade on over-the-counter markets with professional participants based on standardized contracts. The total fair value of derivative financial instruments can vary significantly with time.

36 Fair Value of Financial Instruments

Methods and assumptions used in calculation of the fair value.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equals their carrying value. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for instruments with similar credit risk and maturity date. For effective interest rates by currency for major financial instruments refer to section “Interest rate risk” in note 33.

The Group measures fair values for financial instruments recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable market inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable market inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2012 and 31 December 2011 the Group has no financial instruments carried at fair value, the fair value of which was calculated based on non-market inputs except for financial instruments available-for-sale.

Management uses professional judgment for allocation of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.
36 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2012:

<table>
<thead>
<tr>
<th></th>
<th>Quoted market prices</th>
<th>Valuation techniques based on market observable inputs</th>
<th>Valuation techniques based on non-market observable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>6 289 390</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Corporate Eurobonds</td>
<td>4 858 333</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Federal loan bonds (OFZ bonds)</td>
<td>231 706</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Municipal bonds</td>
<td>52 119</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Corporate shares</td>
<td>31 505</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>28 688 598</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Municipal bonds</td>
<td>3 873 626</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Corporate Eurobonds</td>
<td>1 881 322</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Federal loan bonds (OFZ bonds)</td>
<td>847 493</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Credit linked notes</td>
<td>-</td>
<td>608 568</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Corporate shares</td>
<td>-</td>
<td>-</td>
<td>3 317 843</td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE</strong></td>
<td>46 754 092</td>
<td>608 568</td>
<td>3 317 843</td>
</tr>
</tbody>
</table>

|                                           |                      |                                                        |                                                            |
| **FINANCIAL LIABILITIES**                 |                      |                                                        |                                                            |
| Other financial liabilities               |                      |                                                        |                                                            |
| - Net fair value of derivative financial instruments | -               | 232 577                                               | -                                                          |
| **TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE** | - | 232 577                                               | -                                                          |
36 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2011:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Quoted market prices</th>
<th>Valuation techniques based on market observable inputs</th>
<th>Valuation techniques based on non-market observable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>17 910 871</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Federal loan bonds (OFZ bonds)</td>
<td>4 058 912</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Corporate Eurobonds</td>
<td>3 956 403</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Municipal bonds</td>
<td>2 489 408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Corporate shares</td>
<td>628 062</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>11 670 446</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Municipal bonds</td>
<td>2 930 415</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Federal loan bonds (OFZ bonds)</td>
<td>533 521</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities available-for-sale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate shares</td>
<td>-</td>
<td>-</td>
<td>3 774 109</td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE</strong></td>
<td><strong>44 178 038</strong></td>
<td><strong>-</strong></td>
<td><strong>3 774 109</strong></td>
</tr>
</tbody>
</table>

| **FINANCIAL LIABILITIES**     |                      |                                                      |                                                      |
| Other financial liabilities   |                      |                                                      |                                                      |
| - Net fair value of derivative financial instruments | -                  | 105 860                                              | -                                                    |
| **TOTAL FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE** | **-**                | **105 860**                                          | **-**                                                |

Included in investment securities available-for-sale as at 31 December 2012 and 2011 are ordinary shares of Moscow Exchange which were not publicly traded. The fair value of these shares as at 31 December 2012 was estimated by the Group based on the results of valuation performed by management using the market approach. The basis used for the appraisal is the market approach. The fair value selected by management for these shares and recorded in the consolidated financial statements as at 31 December 2012 is RR 3 247 211 thousand (2011: RR 3 723 666 thousand). To the extent that the market value of comparatives used differs by +/- 5% the fair value of the securities would be RR 162 360 thousand higher/lower (2011: RR 186 196 thousand higher/lower).

Changes in fair value of investment securities available-for-sale attributable to Level 3 in the fair value hierarchy during the year are as follows:

<table>
<thead>
<tr>
<th>In thousand of Russian Roubles</th>
<th>Note</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value as at 1 January</td>
<td></td>
<td>3 774 109</td>
<td>32 932</td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>25</td>
<td>(492 217)</td>
<td>2 739 633</td>
</tr>
<tr>
<td>Restructure of issuer</td>
<td></td>
<td>-</td>
<td>1 001 544</td>
</tr>
<tr>
<td>Acquisitions</td>
<td></td>
<td>35 951</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fair value as at 31 December</strong></td>
<td></td>
<td><strong>3 317 843</strong></td>
<td><strong>3 774 109</strong></td>
</tr>
</tbody>
</table>
### 36 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial instruments by classes and a reconciliation of classes of financial instruments as at 31 December 2012:

<table>
<thead>
<tr>
<th>In thousands of Russian Rubles</th>
<th>Trading financial assets and financial instruments at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held-to-maturity</th>
<th>Total carrying value of financial assets</th>
<th>Fair value of financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash on hand</td>
<td>- 4 744 470</td>
<td>-</td>
<td>- 4 744 470</td>
<td>4 744 470</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Balances with the CBRF</td>
<td>- 7 012 569</td>
<td>-</td>
<td>- 7 012 569</td>
<td>7 012 569</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Correspondent accounts and overnight placements</td>
<td>- 10 182 495</td>
<td>-</td>
<td>- 10 182 495</td>
<td>10 182 495</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Settlement accounts with trading systems</td>
<td>- 21 998 617</td>
<td>-</td>
<td>- 21 998 617</td>
<td>21 998 617</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mandatory cash balances with the Central Bank of the Russian Federation</strong></td>
<td>- 3 125 502</td>
<td>-</td>
<td>- 3 125 502</td>
<td>3 125 502</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>11 463 053</td>
<td>-</td>
<td>11 463 053</td>
<td>11 463 053</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>35 291 039</td>
<td>-</td>
<td>35 291 039</td>
<td>35 291 039</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial instruments at fair value through profit or loss</strong></td>
<td>608 568</td>
<td>-</td>
<td>608 568</td>
<td>608 568</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable under reverse repurchase agreements</td>
<td>- 9 082 398</td>
<td>-</td>
<td>- 9 082 398</td>
<td>9 082 398</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Term placements with banks</td>
<td>- 2 899 159</td>
<td>-</td>
<td>2 899 159</td>
<td>2 899 159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- loans to finance working capital</td>
<td>- 130 098 484</td>
<td>-</td>
<td>- 130 098 484</td>
<td>130 098 484</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- investment loans</td>
<td>- 54 274 983</td>
<td>-</td>
<td>- 54 274 983</td>
<td>54 274 983</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- loans to entities financed from budget</td>
<td>- 15 862 481</td>
<td>-</td>
<td>- 15 862 481</td>
<td>15 862 481</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- mortgage loans</td>
<td>- 11 368 360</td>
<td>-</td>
<td>- 11 368 360</td>
<td>11 368 360</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- car loans</td>
<td>- 2 572 981</td>
<td>-</td>
<td>- 2 572 981</td>
<td>2 572 981</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- consumer loans to VIP clients</td>
<td>- 4 237 979</td>
<td>-</td>
<td>- 4 237 979</td>
<td>4 237 979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- other consumer loans</td>
<td>- 3 963 652</td>
<td>-</td>
<td>- 3 963 652</td>
<td>3 963 652</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment securities available-for-sale</strong></td>
<td>-</td>
<td>-</td>
<td>- 3 521 259</td>
<td>3 521 259</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment securities held-to-maturity</strong></td>
<td></td>
<td></td>
<td>31 361</td>
<td>31 361</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>394 006</td>
<td>681 210</td>
<td>-</td>
<td>1 075 216</td>
<td>1 075 216</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL ASSETS</strong></td>
<td>47 756 666</td>
<td>282 105 340</td>
<td>3 521 259</td>
<td>31 361</td>
<td>333 414 626</td>
<td>334 734 372</td>
</tr>
</tbody>
</table>
### Fair Value of Financial Instruments (continued)

#### In thousands of Russian Roubles

<table>
<thead>
<tr>
<th>Financial Liabilities</th>
<th>Trading financial liabilities</th>
<th>Financial liabilities carried at amortised cost</th>
<th>Carrying value of financial liabilities</th>
<th>Fair value of financial liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Due to banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Sale and repurchase agreements</td>
<td>-</td>
<td>35 729 688</td>
<td>35 729 688</td>
<td>35 729 688</td>
</tr>
<tr>
<td>- Term placements of other banks</td>
<td>-</td>
<td>16 173 913</td>
<td>16 173 913</td>
<td>16 173 913</td>
</tr>
<tr>
<td>- Correspondent accounts of banks</td>
<td>-</td>
<td>350 701</td>
<td>350 701</td>
<td>350 701</td>
</tr>
<tr>
<td><strong>Customer accounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and public organisations</td>
<td>-</td>
<td>835 462</td>
<td>835 462</td>
<td>835 462</td>
</tr>
<tr>
<td>- Current/settlement accounts</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other legal entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current/settlement accounts</td>
<td>-</td>
<td>51 466 052</td>
<td>51 466 052</td>
<td>51 466 052</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>-</td>
<td>68 966 817</td>
<td>68 966 817</td>
<td>69 365 757</td>
</tr>
<tr>
<td>- Amounts payable under sale and repurchase agreements</td>
<td>-</td>
<td>308 259</td>
<td>308 259</td>
<td>308 259</td>
</tr>
<tr>
<td>Individuals</td>
<td>-</td>
<td>23 381 940</td>
<td>23 381 940</td>
<td>23 381 940</td>
</tr>
<tr>
<td>- Current/demand accounts</td>
<td>-</td>
<td>77 838 204</td>
<td>77 838 204</td>
<td>79 718 817</td>
</tr>
<tr>
<td>Bonds issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bonds</td>
<td>-</td>
<td>10 674 577</td>
<td>10 674 577</td>
<td>10 448 262</td>
</tr>
<tr>
<td>- Subordinated Eurobonds</td>
<td>-</td>
<td>6 209 007</td>
<td>6 209 007</td>
<td>5 951 837</td>
</tr>
<tr>
<td><strong>Other debt securities in issue</strong></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Promissory notes</td>
<td>-</td>
<td>5 228 677</td>
<td>5 228 677</td>
<td>5 230 806</td>
</tr>
<tr>
<td>- Deposit certificates</td>
<td>-</td>
<td>15 657</td>
<td>15 657</td>
<td>15 609</td>
</tr>
<tr>
<td><strong>Other borrowed funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Subordinated loans</td>
<td>-</td>
<td>5 333 607</td>
<td>5 333 607</td>
<td>5 333 607</td>
</tr>
<tr>
<td>- VTB Bank</td>
<td>-</td>
<td>2 915 434</td>
<td>2 915 434</td>
<td>2 873 920</td>
</tr>
<tr>
<td>- EBRD</td>
<td>-</td>
<td>2 051 128</td>
<td>2 051 128</td>
<td>1 933 780</td>
</tr>
<tr>
<td>- Eurasian Development Bank</td>
<td>-</td>
<td>395 090</td>
<td>395 090</td>
<td>387 637</td>
</tr>
<tr>
<td>- Nordic Investment Bank</td>
<td>-</td>
<td>302 671</td>
<td>302 671</td>
<td>286 701</td>
</tr>
<tr>
<td>- AKAAFK</td>
<td>-</td>
<td>260 372</td>
<td>260 372</td>
<td>258 717</td>
</tr>
<tr>
<td>- KFW IPEX-Bank GmbH</td>
<td>-</td>
<td>152 326</td>
<td>152 326</td>
<td>150 781</td>
</tr>
<tr>
<td><strong>Other financial liabilities</strong></td>
<td>626 583</td>
<td>349 334</td>
<td>975 917</td>
<td>975 917</td>
</tr>
</tbody>
</table>

**TOTAL FINANCIAL LIABILITIES**  
626 583  308 938 916  309 565 499  311 177 963
The following table provides fair values of financial instruments by classes and a reconciliation of classes of financial instruments as at 31 December 2011:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Trading financial assets</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Financial assets held-to-maturity</th>
<th>Total carrying value of financial assets</th>
<th>Fair value of financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash on hand</td>
<td>- 4,847,432</td>
<td>-</td>
<td>-</td>
<td>- 4,847,432</td>
<td>4,847,432</td>
<td></td>
</tr>
<tr>
<td>- Balances with the CBRF</td>
<td>- 5,015,243</td>
<td>-</td>
<td>-</td>
<td>- 5,015,243</td>
<td>5,015,243</td>
<td></td>
</tr>
<tr>
<td>- Correspondent accounts and overnight placements</td>
<td>- 19,963,092</td>
<td>-</td>
<td>-</td>
<td>- 19,963,092</td>
<td>19,963,092</td>
<td></td>
</tr>
<tr>
<td>- Settlement accounts with trading systems</td>
<td>- 2,949,540</td>
<td>-</td>
<td>-</td>
<td>- 2,949,540</td>
<td>2,949,540</td>
<td></td>
</tr>
<tr>
<td><strong>Mandatory cash balances with the Central Bank of the Russian Federation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading securities</td>
<td>29,043,656</td>
<td>-</td>
<td>-</td>
<td>- 29,043,656</td>
<td>29,043,656</td>
<td>29,043,656</td>
</tr>
<tr>
<td>Trading securities pledged under sale and repurchase agreements</td>
<td>15,134,382</td>
<td>-</td>
<td>-</td>
<td>- 15,134,382</td>
<td>15,134,382</td>
<td></td>
</tr>
<tr>
<td><strong>Amounts receivable under reverse repurchase agreements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Term placements with banks</td>
<td>- 7,849,012</td>
<td>-</td>
<td>-</td>
<td>- 7,849,012</td>
<td>7,849,012</td>
<td></td>
</tr>
<tr>
<td><strong>Due from banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Term placements with banks</td>
<td>- 2,998,653</td>
<td>-</td>
<td>-</td>
<td>- 2,998,653</td>
<td>2,998,653</td>
<td></td>
</tr>
<tr>
<td><strong>Loans and advances to customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- loans to finance working capital</td>
<td>- 133,439,585</td>
<td>-</td>
<td>-</td>
<td>- 133,439,585</td>
<td>134,704,804</td>
<td></td>
</tr>
<tr>
<td>- investment loans</td>
<td>- 51,603,501</td>
<td>-</td>
<td>-</td>
<td>- 51,603,501</td>
<td>51,186,943</td>
<td></td>
</tr>
<tr>
<td>- loans to entities financed from budget</td>
<td>- 9,742,953</td>
<td>-</td>
<td>-</td>
<td>- 9,742,953</td>
<td>9,767,696</td>
<td></td>
</tr>
<tr>
<td>Loans to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- mortgage loans</td>
<td>- 7,468,763</td>
<td>-</td>
<td>-</td>
<td>- 7,468,763</td>
<td>7,894,089</td>
<td></td>
</tr>
<tr>
<td>- car loans</td>
<td>- 1,164,526</td>
<td>-</td>
<td>-</td>
<td>- 1,164,526</td>
<td>1,253,188</td>
<td></td>
</tr>
<tr>
<td>- consumer loans to VIP clients</td>
<td>- 4,337,997</td>
<td>-</td>
<td>-</td>
<td>- 4,337,997</td>
<td>4,422,521</td>
<td></td>
</tr>
<tr>
<td>- other consumer loans</td>
<td>- 2,149,743</td>
<td>-</td>
<td>-</td>
<td>- 2,149,743</td>
<td>2,311,331</td>
<td></td>
</tr>
<tr>
<td><strong>Investment securities available-for-sale</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>- 6,875,174</td>
<td>-</td>
<td>-</td>
<td>- 6,875,174</td>
<td>6,875,174</td>
<td></td>
</tr>
<tr>
<td><strong>Investment securities held-to-maturity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>- 31,361</td>
<td>-</td>
<td>-</td>
<td>- 31,361</td>
<td>6,263</td>
<td></td>
</tr>
<tr>
<td><strong>Other financial assets</strong></td>
<td>823,657</td>
<td>391,548</td>
<td>-</td>
<td>- 1,215,205</td>
<td>1,215,205</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL ASSETS</strong></td>
<td>45,001,695</td>
<td>256,899,884</td>
<td>6,875,174</td>
<td>31,361</td>
<td>308,808,114</td>
<td>310,407,369</td>
</tr>
</tbody>
</table>
36 Fair Value of Financial Instruments (continued)

<table>
<thead>
<tr>
<th>Trading financial liabilities</th>
<th>Financial liabilities carried at amortised cost</th>
<th>Carrying value of financial liabilities</th>
<th>Fair value of financial liabilities</th>
</tr>
</thead>
</table>

**FINANCIAL LIABILITIES**

**Due to banks**
- Sale and repurchase agreements 14 919 153 14 919 153 14 919 153
- Term placements of other banks 12 178 945 12 178 945 12 178 945
- Correspondent accounts of other banks 100 797 100 797 100 797

**Customer accounts**
- State and public organisations
  - Current/settlement accounts 674 615 674 615 674 615
  - Term deposits 5 092 584 5 092 584 5 097 819
- Other legal entities
  - Current/settlement accounts 52 355 916 52 355 916 52 355 916
  - Term deposits 81 179 317 81 179 317 81 635 396
- Amounts payable under sale and repurchase agreements 8 499 8 499 8 499
- Individuals
  - Current/demand accounts 17 918 256 17 918 256 17 918 256
  - Term deposits 69 473 703 69 473 703 69 834 552

**Bonds issued**
- Bonds 8 232 277 8 232 277 8 136 531
- Subordinated Eurobonds 3 323 247 3 323 247 3 002 930

**Other debt securities in issue**
- Promissory notes 9 349 088 9 349 088 9 589 424
- Deposit certificates 7 356 7 356 7 345

**Other borrowed funds**
- Subordinated loans 5 527 834 5 527 834 5 527 834
- VTB Bank 3 254 344 3 254 344 3 148 949
- EBRD 2 118 734 2 118 734 2 016 204
- KFW IPEX-Bank GmbH 483 771 483 771 472 457
- Nordic Investment Bank 435 275 435 275 405 561
- Eurasian Development Bank 258 298 258 298 257 674

**Other financial liabilities**
929 517 187 830 1 117 347 1 117 347

**TOTAL FINANCIAL LIABILITIES**
929 517 287 079 839 288 009 356 288 406 204

37 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with shareholders, management and companies controlled by the Group’s shareholders and management.
37 Related Party Transactions (continued)

As at 31 December 2012, the outstanding balances with related parties are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>51 282</td>
<td>91 812</td>
<td>309 898</td>
</tr>
<tr>
<td>(contractual interest rates: 6.25% – 22.5% p.a.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment allowance for loans and advances to customers</td>
<td>(814)</td>
<td>(1 457)</td>
<td>(31 263)</td>
</tr>
<tr>
<td>Customer accounts (contractual interest rates: 2.3% - 10.0% p.a.)</td>
<td>1 042</td>
<td>4 264</td>
<td>3 104 246</td>
</tr>
<tr>
<td>Other borrowed funds (contractual interest rates: 4.5% - 13.4% p.a.)</td>
<td>4 442 855</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Other borrowed funds include subordinated debt. Refer to note 22.

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and Management Board, for the year 2012 are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>3 960</td>
<td>12 754</td>
<td>29 820</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(451 903)</td>
<td>(30 276)</td>
<td>(67 273)</td>
</tr>
<tr>
<td>(Provision) recovery of provision for loan impairment</td>
<td>(469)</td>
<td>860</td>
<td>(4 018)</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>1 217</td>
<td>923</td>
<td>6 815</td>
</tr>
</tbody>
</table>

Aggregate amounts lent to and repaid by related parties during 2012 are:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts lent to related parties during the period</td>
<td>40 872</td>
<td>24 628</td>
<td>203 338</td>
</tr>
<tr>
<td>Amounts repaid by related parties during the period</td>
<td>7 590</td>
<td>53 660</td>
<td>263 336</td>
</tr>
</tbody>
</table>

As at 31 December 2011, the outstanding balances with related parties are as follows:

<table>
<thead>
<tr>
<th>In thousands of Russian Roubles</th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>18 000</td>
<td>120 844</td>
<td>369 896</td>
</tr>
<tr>
<td>(contractual interest rates: 5.2% – 22.5% p.a.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment allowance for loans and advances to customers</td>
<td>(345)</td>
<td>(2 317)</td>
<td>(27 245)</td>
</tr>
<tr>
<td>Customer accounts (contractual interest rates: 2.0% - 9.0% p.a.)</td>
<td>354 427</td>
<td>503 624</td>
<td>2 792 353</td>
</tr>
<tr>
<td>Other borrowed funds (contractual interest rate: 14.5% p.a.)</td>
<td>-</td>
<td>-</td>
<td>1 590 102</td>
</tr>
</tbody>
</table>
37 Related Party Transactions (continued)

Other borrowed funds are represented by the subordinated debt, note 22.

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and management, for the year 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>2 333</td>
<td>12 307</td>
<td>53 871</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(20 730)</td>
<td>(19 893)</td>
<td>(221 927)</td>
</tr>
<tr>
<td>(Provision) recovery of provision for loan impairment</td>
<td>(345)</td>
<td>611</td>
<td>993</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>1 102</td>
<td>635</td>
<td>35 926</td>
</tr>
</tbody>
</table>

Aggregate amounts lent to and repaid by related parties during 2011 are:

<table>
<thead>
<tr>
<th></th>
<th>Shareholders</th>
<th>Key management personnel</th>
<th>Other related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts lent to related parties during the period</td>
<td>278 564</td>
<td>97 534</td>
<td>178 922</td>
</tr>
<tr>
<td>Amounts repaid by related parties during the period</td>
<td>260 564</td>
<td>45 411</td>
<td>404 868</td>
</tr>
</tbody>
</table>

In 2012, total remuneration of members of the Supervisory Board and Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 411 055 thousand (2011: RR 374 336 thousand).

38 Consolidation of Special Purpose Entities

As at 31 December 2012 and 31 December 2011, the Group consolidated the special purpose entity BSPB Finance plc. This special purpose entity was established in 2006 to facilitate the Eurobonds issue.

As at 31 December 2012 and 31 December 2011, the Group exercised its control over the activity of the special purpose entity, as all financial and operational activities of this special purpose entity were conducted on behalf of the Group and according to the Group’s specific business needs. The Group has rights to obtain the majority of the benefits of the special purpose entity and therefore is exposed to risks incident to its activities.

As at 31 December 2012 and 31 December 2011, the Group consolidated close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund”. This entity is meant for management of investment property projects. During 2012 the Group liquidated close-ended real estate mutual investment fund “Nevskiy – Second Real Estate Fund”. This liquidation did not have a material effect on the consolidated financial statements.