

Open Joint-Stock Company “NOMOS-BANK”

**Condensed Interim Consolidated
Financial Statements (Unaudited)**
For the Three Months Ended 31 March 2011

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OPEN JOINT-STOCK COMPANY "NOMOS-BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

Management is responsible for the preparation of the condensed interim consolidated financial statements that presents fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 31 March 2011 and the consolidated results of its operations, cash flows and changes in shareholders' equity for the three months then ended, in accordance with International Accounting Standard 34 ("IAS 34").

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

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

Management is also responsible for:

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

The condensed interim consolidated financial statements of the Group for the three months ended 31 March 2011 was authorized for issue by the Supervisory Board of the Bank on 3 June 2011.

On behalf of the Supervisory Board



President
3 June 2011
Moscow



Chief Accountant
3 June 2011
Moscow

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim statement of financial position of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group") as at 31 March 2011, the interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement for the three months then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche

3 June 2011
Moscow

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2011
(in million of Russian Roubles)**

	Notes	3 months ended 31 March 2011 (unaudited)	3 months ended 31 March 2010 (unaudited)
Interest income	5,24	11,798	7,463
Interest expense	5,24	(5,627)	(4,145)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS, PREPAYMENTS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	5	6,171	3,318
Gain on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination	3	1,643	-
Allowance for impairment losses on interest bearing assets	12,14,24	(2,191)	(1,542)
NET INTEREST INCOME		5,623	1,776
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss:	24	1,864	1,772
Securities		432	1,643
Derivatives on precious metals		177	33
Derivatives on foreign currency		1,192	144
Other derivatives		63	(48)
Net (loss)/gain on foreign exchange	24	(1,075)	128
Net gain/(loss) on operations with precious metals	24	117	(11)
Net fee and commission income	6,24	1,136	427
Fee and commission income	6,24	1,367	494
Fee and commission expense	6,24	(231)	(67)
Net (loss) on investments available-for-sale		(25)	-
Net gain on disposal of loans	12	61	69
Recovery of allowance/(allowance) for impairment losses on other transactions		104	(5)
Impairment of investments available- for- sale	13	(21)	(12)
Loss from revaluation of investment property		(164)	(57)
Other income	7,24	118	184
NET NON-INTEREST INCOME		2,115	2,495
OPERATING INCOME		7,738	4,271
OPERATING EXPENSES	8,24	(3,638)	(1,712)
OPERATING PROFIT BEFORE INCOME TAX		4,100	2,559
Income tax expense		(859)	(506)
NET PROFIT		3,241	2,053
Attributable to:			
Equity holders of the parent		2,551	2,052
Non-controlling interest		690	1
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles	9	28.92	25.02

On behalf of the Supervisory Board



President

3 June 2011
Moscow



Chief Accountant

3 June 2011
Moscow

The selected notes on pages 9-51 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2011
(in million of Russian Roubles)**

	Notes	3 months ended 31 March 2011 (unaudited)	3 months ended 31 March 2010 (unaudited)
NET PROFIT		<u>3,241</u>	<u>2,053</u>
OTHER COMPREHENSIVE LOSS			
Net change in fair value of investments available-for-sale		(137)	(1)
- deferred income tax effect		<u>27</u>	<u>-</u>
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		(110)	(1)
TOTAL COMPREHENSIVE INCOME		<u>3,131</u>	<u>2,052</u>
Attributable to:			
Equity holders of the parent		2,441	2,050
Non-controlling interest		<u>690</u>	<u>2</u>

On behalf of the Supervisory Board



President

3 June 2011
Moscow



Chief Accountant

3 June 2011
Moscow

The selected notes on pages 9-51 form an integral part of the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011
(in million of Russian Roubles)

	Notes	31 March 2011 (unaudited)	31 December 2010
ASSETS			
Cash and balances with the Central Bank of the Russian Federation		34,230	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation		3,669	2,817
Precious metals		6,018	4,677
Financial assets at fair value through profit or loss	10,24	51,921	55,522
Loans and advances to banks and other financial institutions	11,24	58,189	41,577
Loans to customers	12,24	354,969	339,302
Investments available-for-sale	13,24	39,219	25,763
Investments held to maturity	14	859	852
Property, plant and equipment		11,030	10,976
Goodwill		598	598
Intangible assets		3,183	2,602
Other assets		5,803	5,042
TOTAL ASSETS		569,688	530,217
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	24	1,073	1,005
Due to banks and the Central Bank of the Russian Federation	15,24	91,408	59,839
Customer accounts	16,24	314,645	313,376
Bonds and Eurobonds	17	38,221	34,412
Promissory notes issued		32,839	33,168
Deferred income tax liabilities		1,232	1,182
Other liabilities	24	2,681	2,209
Subordinated debt	18,24	26,299	27,091
TOTAL LIABILITIES		508,398	472,282
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	19	6,225	6,225
Preference treasury shares	19	(605)	(484)
Share premium	19	15,859	15,859
Property, plant and equipment revaluation reserve		717	717
Revaluation of investments available-for-sale		(104)	6
Retained earnings		27,071	24,560
Total equity attributable to equity holders of the parent		49,163	46,883
Non-controlling interest		12,127	11,052
Total equity		61,290	57,935
TOTAL LIABILITIES AND EQUITY		569,688	530,217

On behalf of the Supervisory Board



 President

3 June 2011

Moscow



 Chief Accountant

3 June 2011

Moscow

The selected notes on pages 9-51 form an integral part of the condensed interim consolidated financial statements.

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

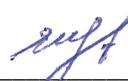
Note	Share capital	Preference treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2009	5,982	-	12,603	592	6	17,388	36,571	41	36,612
Net profit for the period (unaudited)	-	-	-	-	-	2,052	2,052	1	2,053
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(1)	-	(1)	-	(1)
31 March 2010 (unaudited)	5,982	-	12,603	592	5	19,440	38,622	42	38,664
31 December 2010	6,225	(484)	15,859	717	6	24,560	46,883	11,052	57,935
Net profit for the period (unaudited)	-	-	-	-	-	2,551	2,551	690	3,241
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(110)	-	(110)	-	(110)
Purchase of treasury shares (unaudited)	-	(121)	-	-	-	(40)	(161)	-	(161)
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	385	385
31 March 2011 (unaudited)	6,225	(605)	15,859	717	(104)	27,071	49,163	12,127	61,290

On behalf of the Supervisory Board



President

3 June 2011
Moscow



Chief Accountant

3 June 2011
Moscow

The selected notes on pages 9-51 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2011
(in million of Russian Roubles)**

	Notes	Three months ended 31 March 2011 (unaudited)	Three months ended 31 March 2010 (unaudited) (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax including profit from discontinued operations		4,100	2,559
Adjustments for:			
Allowance for impairment losses and gain on remeasurement of cash flows on interest bearing assets acquired in business combination		1,705	1,542
Allowance for impairment losses on other transactions		(104)	5
Foreign currency revaluation loss/(gain)		1,351	(50)
Gain on disposal of loans	12	(61)	(69)
Impairment of investments available-for-sale	13	21	12
Precious metals revaluation (gain)/loss		(120)	42
Loss on disposal of investments available-for-sale		25	-
Depreciation and amortization expense		401	123
Change in interest accruals, net		1,253	(909)
Change in other accruals, net		(312)	122
Gain on disposal of property, plant and equipment	7	(8)	(11)
Gain on excess of interest acquired in the net fair value of identifiable assets, liabilities and contingent liabilities over cost	4	(13)	-
Loss from revaluation of investment property		164	57
Net change in fair value of assets and liabilities at fair value through profit or loss		(1,196)	(1,798)
Cash flows from operating activities before changes in operating assets and liabilities		7,206	1,625
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		(852)	(242)
Precious metals		(1,576)	447
Financial assets at fair value through profit or loss		3,070	7,406
Loans and advances to banks and other financial institutions		(11,757)	(5,970)
Loans to customers		(19,205)	(4,532)
Other assets		(2,445)	72
Increase/(decrease) in operating liabilities:			
Due to banks and the Central Bank of the Russian Federation		33,039	(14,752)
Bonds and Eurobonds		6,351	-
Promissory notes issued/(redeemed), net		(1,051)	7,848
Customer accounts		2,397	8,879
Other liabilities		586	135
Cash inflows from operating activities before taxation		15,763	916
Income tax paid		(757)	(157)
Net cash inflows from operating activities		15,006	759
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(380)	(107)
Proceeds on sale of property, plant and equipment		45	60
Proceeds on sale of investments available-for-sale		11,697	-
Purchase of investments available-for-sale		(25,066)	(9)
Decrease of share of subsidiaries		8	-
Acquisition of subsidiaries, net of cash acquired	4	(323)	-
Net cash outflows from investing activities		(14,019)	(56)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2011
(in million of Russian Roubles)

	Notes	Three months ended 31 March 2011 (unaudited)	Three months ended 31 March 2010 (unaudited) (restated)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury shares		(161)	-
Repayment of bonds and Eurobonds		<u>(1,693)</u>	<u>(8,031)</u>
Net cash outflow from financing activities		(1,854)	(8,031)
Effect of changes in foreign exchange rate on cash and cash equivalents		<u>(157)</u>	<u>(180)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,024)	(7,508)
CASH AND CASH EQUIVALENTS, beginning of period		<u>55,260</u>	<u>27,452</u>
CASH AND CASH EQUIVALENTS, end of period		<u>54,236</u>	<u>19,944</u>

Interest paid and received by the Group during the three months ended 31 March 2011, included in cash from operating activities amounted to RUB 3,486 million and RUB 10,910 million, respectively.

Interest paid and received by the Group during the three months ended 31 March 2010, included in cash from operating activities amounted to RUB 4,412 million and RUB 6,928 million, respectively.

During the reporting period ended 31 March 2011 the Group obtained non-cash settlement for the uncollectible loans to customers, previously originated. These non-cash settlements were excluded from the cash flow statement and presented separately below:

	Notes	Three months ended 31 March 2011 (unaudited)	Three months ended 31 March 2010 (unaudited)
NON CASH TRANSACTION:			
Loans to customers settled by means of collateral repossession		(1,498)	-
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Investment property		1,257	-
Property received as a collateral		241	-
Net assets acquired and purchase adjustments in bank acquisition		770	-

For the purpose of cash flow statement preparation cash and cash equivalents comprise of the following components:

	31 March 2011 (RUB million)	31 March 2010 (RUB million)
Cash and cash equivalents:		
Cash and balances with the Central Bank of the Russian Federation	34,230	10,311
Correspondent accounts with banks	<u>20,006</u>	<u>9,633</u>
Total cash and cash equivalents	<u>54,236</u>	<u>19,944</u>

On behalf of the Supervisory Board



President

3 June 2011
 Moscow



Chief Accountant

3 June 2011
 Moscow

The selected notes on pages 9-51 form an integral part of these consolidated financial statements.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011
(in million of Russian Roubles)

1. ORGANISATION

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

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

As at 31 March 2011 the Bank had 50 branches operating in the Russian Federation, 1 representative office in the Russian Federation and 1 representative office abroad.

The accompanying consolidated financial statements comprise the accounts of Open joint stock company "NOMOS-BANK" and its subsidiaries (together the "Group"). The consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	Notes	The Bank's ownership interest/control (*)		Type of activity
			31 March 2011 %	31 December 2010 %	
OJSC "NOMOS-Bank"	Russian Federation		Parent company	Parent company	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS Siberia"	Russian Federation		100/100	100/100	Banking activity
LLC "Inbank"	Russian Federation		74.15/74.15	74.15/74.15	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation		51.29/51.29	51.29/51.29	Banking activity
BKM Finance Limited	Ireland		(contractual agreement)	(contractual agreement)	Issue of securities
LLC "Yugra-Leasing"	Russian Federation		51.29/100	51.29/100	Finance lease of equipment
LLC "GPF"	Russian Federation		51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation		38.53/75.13	38.53/75.13	Banking activity
LLC "NM-Expert"	Russian Federation		19.90/100	19.90/100	Construction
LLC "Promgazkomplekt"	Russian Federation		100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation		100/100	100/100	Office building ownership
CJSC "Sovfinrast"	Russian Federation		100/100	100/100	Investment management
CJSC "Upravlyaushaya compania aktivami"	Russian Federation		100/100 (contractual agreement)	100/100 (contractual agreement)	Asset management
Nomos Capital Plc.	Ireland				Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation		99.9/99.9	99.9/99.9	Investment management
LLC "Leasing-Project"	Russian Federation		100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation		100/100	100/100	Office building ownership
LLC "Baltaktiv"	Russian Federation		100/100	100/100	Wholesale commerce
LLC "Attenium"	Russian Federation	4	51/100	-	Investment management
LLC "PS Rapida"	Russian Federation	4	51/100	-	Payment system
LLC "PC Rapida"	Russian Federation	4	51/100	-	Processing centre
LLC "Gikor"	Russian Federation	4	51/100	-	Asset management
LLC "Upravlyaushaya compania NOMOS BANK"	Russian Federation		100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation		100/100	100/100	Office building ownership
LLC "Vostok-Capital"	Russian Federation		100/100	100/100	Investment management

(*) The Ownership and control represent the following:

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

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

- ZPIFVI “Venchnurny fond investitsionnogo i proektnogo finansirovaniya”;
- ZPIFRE “Universal – Real estate fund”;
- ZPIF “KhMB-Capital”.

As at 31 March 2011 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group’s financial statements.

As at 31 March 2011 and 31 December 2010 the Group had 9,560 employees and 9,408 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within Russian Federation. As at 31 March 2011 and 31 December 2010 the Group had respectively 281 and 300 points of sale including branches, supplementary offices and currency exchange offices.

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

As at 31 March 2011 and 31 December 2010 the following shareholders owned the issued shares of the Bank:

Shareholders	31 March 2011, %	31 December 2010, %
Shareholders of the Bank		
(Shareholders of the first level):		
“Russia Finance Corporation B.V.”	28.24	28.24
“Lobston Enterprises limited” (Cyprus)	18.87	18.87
“Vitalpeake limited”	18.66	18.66
“Lordlaine limited”	10.04	10.04
“Viewrock limited”	10.04	10.04
“Arrowzone limited”	8.46	8.46
“Krisandra holding Ltd”	5.60	-
CJSC “Eniseyskaya investment company”	-	5.60
Other	0.09	0.09
Total	100.00	100.00

Shareholders	31 March 2011, %	31 December 2010, %
Ultimate shareholders of the Bank:		
Mr. Kellner P.	28.24	28.24
Mr. Korbachka R.	18.87	18.87
Mr. Nesis A.N.	18.66	18.66
Mr. Dobrinov N.I.	12.03	12.03
Mr. Gudaytis A.A.	12.03	12.03
Mr. Finogenov I.V.	4.15	4.15
Mr. Sokolov D.V.	4.15	4.15
Mr. Sterba Z.	1.71	1.71
Mr. Petropavlovsky A.F.	0.16	0.16
Total	100.00	100.00

As at 31 March 2011 and 31 December 2010 the following companies owned the outstanding preference shares of the Bank:

Shareholders of outstanding preference shares	31 March 2011, %	31 December 2010, %
Shareholders of outstanding preference shares the Bank (Shareholders of the first level):		
“Lobston Enterprises limited” (Cyprus)	-	100.00
Total	-	100.00

Shareholders of outstanding preference shares	31 March 2011, %	31 December 2010, %
Ultimate shareholders of outstanding preference shares the Bank:		
Mr. Korbachka R.	-	100.00
Total	-	100.00

The Group’s subsidiary company LLC “Promgazcomplekt” has repurchased 100% of the Group’s preference shares (12,100 million items). The deal was performed for the purpose of optimization of the Group’s capital structure. The Group has no intention to sell back these shares in the foreseeable future.

These consolidated financial statements was authorized for issue by the Supervisory Board of the Bank on 3 June 2011.

2. BASIS OF PRESENTATION

Accounting basis

This condensed interim consolidated financial statements has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). Accordingly, it does not include all of the information required by International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). This condensed interim consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010.

Gain/loss on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination included in the consolidated income statement for the three months ended 31 March 2011 represents (a) RUB 487 million related to the re-assessment of the expected cash flows from outstanding interest bearing assets which are mainly arising from changes in assessment of the credit quality of the underlying assets as required by paragraph AG 8 in IAS 39 and (b) RUB 1,156 million related to repayment on maturity and/or prepayment of loans to customers of Bank of Khanty-Mansiysk Group, a banking group acquired by Nomos in December 2011.

There were no new accounting standards adopted from 1 January 2011 which had a material impact in these consolidated interim financial statements.

Restatements and other changes

Prior period reclassifications

During the three month ended 31 March 2011, Management of the Group determined that its cash flow statement for the three-month period ended 31 March 2010 was inappropriately presented due to the following:

1. The Group had omitted from its "Cash and cash equivalents" as presented in the cash flow statement for the three-month period ended 31 March 2010, certain unrestricted correspondent bank accounts.

The following reclassifications/line item modifications have been made as follows:

Cash flow for the three-month period ended 31 March 2010:

	<u>As originally stated</u>	<u>Reclassification</u>	<u>As restated</u>
Operating activities:			
Reclass to cash and cash equivalents of fluctuation in correspondent bank accounts previously presented in changes in Loans and advances to banks:	(8,655)	2,685	(5,970)
Net cash inflow (outflow) from operating activity	(1,926)	2,685	759

Line item presentations in cash flow

	<u>As originally stated</u>	<u>Reclassification</u>	<u>As restated</u>
1 January 2010:			
Opening balance, Cash and cash equivalents	21,580	5,872	27,452
31 March 2010:			
Ending balance, Cash and cash equivalents	11,387	8,557	19,944

4. ACQUISITIONS AND DISPOSALS

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

The cash outflow relating to the acquisition of shares amounted to RUB 380 million. The net gain from the bargain purchase of RUB 13 million is recognized in the consolidated income statement for the three months ended 31 March 2011. The fair value of the net assets of the company as of the acquisition date is presented below. As at 31 March, 2011 the initial accounting for a business combination is incomplete accordingly the Group reported the provisional amounts currently representing the Group’s best estimate of the acquisition date values. Those provisional amounts will be adjusted during the measurement period (not to exceed one year from the acquisition date), to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

	<u>LLC “Attenium”</u>
Assets	
Cash and balances with the Central Bank of the Russian Federation	57
Loans and advances to banks and other financial institutions	468
Investments available-for-sale	3
Property, plant and equipment	12
Intangible assets	681
Other assets	19
Total assets	<u>1,240</u>
Due to banks and the Central Bank of the Russian Federation	100
Customer accounts	99
Other liabilities	271
Total liabilities	<u>470</u>
Net assets	<u>770</u>
Parent company’s ownership interest (%)	51%
Parent company’s ownership interest	393
Consideration paid	<u>380</u>
Gain from the bargain purchase	<u>13</u>

In December 2010 Group acquired 51.29% share in Khanty-Mansiysky Bank Group totalling RUB 12,121,535 thousand. The consideration was paid in cash.

5. NET INTEREST INCOME

Net interest income comprises:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Interest income comprises:		
Interest income on assets recorded at amortized cost	10,223	5,951
Interest income on investments available-for-sale	678	26
Interest income on assets at fair value through profit or loss	897	1,486
Total interest income	11,798	7,463
Interest income on assets recorded at amortized cost:		
Interest income on loans to customers	8,921	5,334
Interest income on reverse repurchase transactions	817	492
Interest income on loans and advances to banks and other financial institutions	460	97
Interest on investments held to maturity	25	28
Total interest income on assets recorded at amortized cost	10,223	5,951
Interest income on assets at fair value through profit or loss:		
Interest income on financial assets at fair value through profit or loss held-for-trading	897	1,486
Total interest income on assets at fair value through profit or loss	897	1,486
Interest income on investments available-for-sale		
Total interest income on investments available-for-sale	678	26
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost	5,627	4,145
Total interest expense	5,627	4,145
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expense on customer accounts	3,326	2,291
Interest expense on subordinated debt	567	576
Interest expense on Bonds and Eurobonds issued	648	596
Interest expense on due to banks and the Central Bank of the Russian Federation	446	437
Interest expense on promissory notes issued	540	215
Interest expense on repurchase transactions	100	30
Total interest expense on financial liabilities recorded at amortized cost	5,627	4,145
Net interest income before gain on remeasurement of cash flows, prepayments and provision for impairment losses on interest bearing assets	6,171	3,318

6. NET FEE AND COMMISSION INCOME

Net fee and commission income comprise:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Fee and commission income:		
Settlements	533	187
Cash operations	335	97
Documentary operations	329	157
Brokerage operations	26	5
Foreign currency conversion operations	25	-
Operations with precious metals	16	27
Operations related to underwriting	4	-
Depository services	1	2
Other	98	19
Total fee and commission income	1,367	494
Fee and commission expense:		
Settlements	170	33
Cash operations	23	13
Documentary operations	21	12
Securities operations	4	4
Depository services	3	4
Other	10	1
Total fee and commission expense	231	67
Net fee and commission income	1,136	427

7. OTHER INCOME

Other income comprises:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Penalties received	26	19
Rental income	25	9
Net gain from the bargain purchase of LLC "Attenium"	13	-
Gain on sale of share based agreements on housing construction	10	-
Income on early deposits withdrawal	10	54
Gain on disposal of property, plant and equipment	8	11
Income on debt securities issued pre-term redeemed	2	17
Dividends received	1	1
Other	23	73
Total other income	118	184

8. OPERATING EXPENSES

Operating expenses comprise:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Payroll and bonuses	1,719	867
Unified social tax	470	193
Depreciation of property, plant and equipment	223	108
Stationery and other office expenses	145	28
Rent expenses	145	84
Taxes other than income tax	135	66
Amortization of intangible assets	178	15
Property, plant and equipment maintenance	107	65
Security expenses	74	51
Payments to the Deposit Insurance Fund	64	50
Telecommunications	54	37
Advertising expenses	50	12
Insurance expenses	33	4
Professional services	16	37
Representation expenses	16	6
Other expenses	209	89
Total operating expenses	3,638	1,712

9. EARNINGS PER SHARE

Earnings per share are presented as follows:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Earnings per share related to continuing operations:		
Profit:		
Net profit attributable to equity holders of the parent	3,241	2,053
Less:		
Loss on redemption of preference shares	(40)	-
Non-controlling interest	(690)	(1)
Net profit attributable to equity holders of the parent less non-controlling interest	2,511	2,052
Weighted average number of ordinary shares for basic and diluted earnings per share	86,846	81,985
Earnings per share – basic and diluted (RUB)	28.92	25.02

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Financial assets held-for-trading:		
Debt securities	47,074	50,335
Equity securities	1,686	1,973
Total financial assets held-for-trading	48,760	52,308
First to default credit linked notes	1,120	1,817
Total derivative financial instruments	2,041	1,397
Total financial assets at fair value through profit or loss	51,921	55,522

Financial assets held-for-trading comprise:

	Interest rate to nominal	31 March 2011 (RUB million)	Interest rate to nominal	31 December 2010 (RUB million)
Bonds and Eurobonds issued by banks	4.25-12.0%	20,166	4.25-12.0%	21,455
Corporate bonds and Eurobonds	5.09-18.46%	14,912	5.09-18.5%	13,596
Promissory notes	-	4,555	-	7,038
OFZ bonds	6.9-7.5%	2,737	6.90-7.0%	52
RF Government Eurobonds	7.5%	2,398	7.5%	5,300
Municipal bonds	8.0-19.12%	2,306	8.0-19.1%	2,894
Corporate shares	-	1,686	-	1,973
Total financial assets held-for-trading		48,760		52,308

Bonds and Eurobonds issued by banks represent bonds and Eurobonds issued by Russian banks. As at 31 March 2011 and 31 December 2010 the bonds issued by banks have maturities from May 2011 to June 2035 and from January 2011 to June 2035, respectively. As at 31 March 2011 and 31 December 2010 these securities amounting to RUB 3,130 million and RUB 4,005 million respectively, were pledged as security under overdraft and overnight credit agreements with the Central Bank of the Russian Federation. As at 31 March 2011 and 31 December 2010 the facilities were not used.

Corporate bonds and Eurobonds are issued by Russian companies. As at 31 March 2011 and 31 December 2010 corporate bonds held by the Group have maturities from June 2011 to February 2021 and March 2011 to June 2035, respectively. As at 31 March 2011 and 31 December 2010 these securities amounting to RUB 901 million and RUB 914 million, respectively, were pledged as security under overdraft and overnight credit agreements with Central Bank of Russian Federation. As at 31 March 2011 and 31 December 2010 the facilities were not used. As at 31 March 2011 corporate bonds with fair value of RUB 60 million were pledged under repurchase agreements with other banks (see Note 15).

Promissory notes are represented by promissory notes issued by Russian banks. As 31 March 2011 and 31 December 2010 the promissory notes purchased held by the Group have maturities from April 2011 to March 2012 and April 2011 to October 2011, respectively.

Russian State Bonds (OFZ bonds) are Rouble-denominated government securities issued at discount to face value and guaranteed by the Ministry of Finance of the Russian Federation. As at 31 March 2011 and 31 December 2010 OFZ bonds held by the Group have maturity ranging from January 2016 to February 2036 and October 2018 to February 2036.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. As at 31 March 2011 and 31 December 2010 the Group portfolio consisted of 1 tranche maturing at March 2030. The interest on these bonds is payable semi-annually. As at 31 March 2011 and 31 December 2010 RF Government Eurobonds with fair value of RUB 1,057 million and RUB 927 million, respectively, were pledged under repurchase agreements with banks (see Note 15).

Municipal bonds are bonds issued by local authorities of the Russian Federation. As at 31 March 2011 and 31 December 2010 municipal bonds held by the Group have maturities from April 2011 to September 2013 and April 2011 to October 2015. As at 31 March 2011 and 31 December 2010 these securities amounting to RUB 1,214 million and RUB 158 million, respectively, were pledged as security under overdraft and overnight credit agreements with the Central Bank of the Russian Federation. As at 31 March 2011 and 31 December 2010 the facilities were not used.

Corporate shares are actively traded shares on the open market issued by Russian companies. As at 31 March 2011 and 31 December 2010 corporate shares with fair value of RUB 4,408 million and RUB 2,201 million were pledged under repurchase agreements with banks (see Note 15). As at 31 March 2011 and 31 December 2010 corporate shares with fair value of RUB 1,629 million and RUB 1,786 million, respectively, were pledged under repurchase agreements with customers (see Note 16).

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

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

<u>Nominal amount and margin calls</u>					31 March 2011
<u>Nominal currency</u>	<u>Rouble equivalent</u>	<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	<u>Carrying amount (RUB million)</u>
USD 20 million	568,580	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	551
USD 10 million	284,290	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	283
USD 10 million	284,290	20 December 2011	6 month LIBOR+ 9.25% per annum	OAO Alfa-Bank OAO Severstal OAO Vypelkom	286
					1,120

As at 31 December 2010 first to default credit-linked notes were as follows:

<u>Nominal amount and margin calls</u>					31 December 2010 Carrying amount (RUB million)
<u>Nominal currency</u>	<u>Rouble equivalent</u>	<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	
USD 20 million	609,538	20 March 2011	LIBOR+ 12.75% per annum	OAO Bank VTB OAO Vypelkom OAO Severstal	677
USD 20 million	609,538	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	575
USD 10 million	304,769	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	279
USD 10 million	304,769	20 December 2011	6 month LIBOR+ 9.25% per annum	OAO Alfa-Bank OAO Vypelkom	286
					1,817

11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Loans to banks	31,761	24,546
Correspondent accounts with banks	20,005	14,771
Loans under reverse repurchase agreements	6,423	2,260
Total loans and advances to banks and other financial institutions	58,189	41,577

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 March 2011 and 31 December 2010, are presented as follows:

	31 March 2011		31 December 2010	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
OFZ bonds	741	843	1,176	1,275
Bonds and Eurobonds issued by banks	1,919	2,351	345	421
Bonds and Eurobonds of Russian companies	1,945	2,043	333	409
Corporate shares	294	504	306	492
Municipal bonds	1,524	1,744	100	117
Total	6,423	7,485	2,260	2,714

As at 31 March 2011 and 31 December 2010 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with the plastic cards in the amount of RUB 514 million and RUB 551 million, respectively.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Loans to legal entities		
Corporate loans	262,231	251,461
Loans under reverse repurchase agreements	43,721	43,471
Small business loans	22,205	19,973
Net investments in finance lease	2,675	2,145
Lease contracts with individual entrepreneurs	126	139
Total loans to legal entities	330,958	317,189
Loans to individuals		
Mortgage loans	22,176	21,979
Consumer loans	15,319	13,194
Car loans	2,293	2,202
Loans to individual entrepreneurs	238	266
Other	18	30
Total loans to individuals	40,044	37,671
Gross loans to customers	371,002	354,860
Less – Allowance for impairment losses	(16,033)	(15,558)
Total loans to customers	354,969	339,302

The Group evaluates the credit quality of its customers at origination as well as on an ongoing basis in determining the necessary allowance for impairment losses based on the facts and circumstances existent at the end of reporting period for loans that do not meet the criteria for individual assessment of impairment. The credit quality of loans to customers is determined based on the Group internal credit quality assessment system which contemplates a set of risk factors that are deemed to be predictive of the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The Group applies the following internal credit risk classifications to the portfolio of loans without the individual indicators of impairment.

- Standard loans, representing loans without any indicators of impairment and thus representing the best level of credit quality;
- Watch list loans, representing loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools.

The allowance for the period reflects the impacts of the post-acquisition integration of the Khanty-Maksiysky Bank Group as discussed in Note 3.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 March 2011:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	285,480	5,655	279,825	1.98%
- watch list loans	12,654	589	12,065	4.66%
Total loans without individual indicators of impairment	298,134	6,244	291,890	2.09%
Loans with individual indicators of impairment:				
- not past due	3,143	1,433	1,710	45.60%
- overdue less than 90 days	140	64	76	45.81%
- overdue more than 90 days and less than 1 year	1,768	1,255	513	70.95%
- overdue more than 1 year	5,442	4,596	846	84.44%
Total loans with individual indicators of impairment	10,493	7,348	3,145	70.02%
Total corporate loans	308,627	13,592	295,035	4.40%
Small business loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	20,413	358	20,055	1.76%
- watch list loans	537	11	526	2.02%
Total loans without individual indicators of impairment	20,950	369	20,581	1.76%
Loans with individual indicators of impairment:				
- not past due	439	304	135	69.19%
- overdue less than 90 days	74	44	30	58.87%
- overdue more than 90 days and less than 1 year	187	174	13	93.44%
- overdue more than 1 year	681	663	18	97.42%
Total loans with individual indicators of impairment	1,381	1,185	196	85.84%
Total small business loans	22,331	1,554	20,777	6.96%
Total loans to legal entities	330,958	15,146	315,812	4.58%

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	269,455	5,115	264,340	1.90%
- watch list loans	13,723	479	13,244	3.49%
Total loans without individual indicators of impairment	<u>283,178</u>	<u>5,594</u>	<u>277,584</u>	<u>1.98%</u>
Loans with individual indicators of impairment:				
- not past due	4,427	1,550	2,877	35.01%
- overdue less than 90 days	2,565	889	1,676	34.66%
- overdue more than 90 days and less than 1 year	1,769	1,410	359	79.72%
- overdue more than 1 year	5,138	3,994	1,144	77.74%
Total loans with individual indicators of impairment	<u>13,899</u>	<u>7,843</u>	<u>6,056</u>	<u>56.43%</u>
Total corporate loans	<u>297,077</u>	<u>13,437</u>	<u>283,640</u>	<u>4.52%</u>
Small business loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	18,161	230	17,931	1.27%
- watch list loans	760	19	741	2.45%
Total loans without individual indicators of impairment	<u>18,921</u>	<u>249</u>	<u>18,672</u>	<u>1.31%</u>
Loans with individual indicators of impairment:				
- not past due	329	167	162	50.81%
- overdue less than 90 days	69	52	17	74.88%
- overdue more than 90 days and less than 1 year	107	103	4	96.31%
- overdue more than 1 year	686	677	9	98.80%
Total loans with individual indicators of impairment	<u>1,191</u>	<u>999</u>	<u>192</u>	<u>83.93%</u>
Total small business loans	<u>20,112</u>	<u>1,248</u>	<u>18,864</u>	<u>6.21%</u>
Total loans to legal entities	<u>317,189</u>	<u>14,685</u>	<u>302,504</u>	<u>4.63%</u>

The following table provides information on loans to individuals as at 31 March 2011:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	20,880	50	20,830	0.24%
- Overdue less than 30 days	480	27	453	5.77%
- Overdue 30-90 days	102	32	70	31.51%
- Overdue 91-180 days	93	53	40	56.68%
- Overdue 181-365 days	216	216	-	100.00%
- Overdue more than 365 days	405	405	-	100.00%
Total mortgage loans	22,176	783	21,393	3.53%
Consumer Loans				
- Not past due	14,970	22	14,948	0.15%
- Overdue less than 30 days	252	20	232	7.77%
- Overdue 30-90 days	68	18	50	26.38%
- Overdue 91-180 days	26	17	9	66.15%
- Overdue 181-365 days	2	-	2	25.69%
- Overdue more than 365 days	1	1	-	100.00%
Total consumer loans	15,319	78	15,241	0.51%
Car Loans				
- Not past due	2,213	2	2,211	0.07%
- Overdue less than 30 days	42	2	40	4.94%
- Overdue 30-90 days	22	4	18	15.86%
- Overdue 91-180 days	14	9	5	69.05%
- Overdue 181-365 days	1	1	-	95.79%
- Overdue more than 365 days	1	1	-	100.00%
Total car loans	2,293	19	2,274	0.82%
Loans to individual entrepreneurs				
- Not past due	238	7	231	2.86%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total loans to individual entrepreneurs	238	7	231	2.86%
Other				
- Not past due	18	-	18	0.11%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	18	-	18	0.11%
Total loans to individuals	40,044	887	39,157	2.22%

The following table provides information on loans to individuals as at 31 December 2010:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	20,968	45	20,923	0.22%
- Overdue less than 30 days	95	-	95	0.23%
- Overdue 30-90 days	147	29	118	19.55%
- Overdue 91-180 days	83	38	45	46.03%
- Overdue 181-365 days	192	191	1	99.49%
- Overdue more than 365 days	494	494	-	100.00%
Total mortgage loans	21,979	797	21,182	3.63%
Consumer Loans				
- Not past due	12,988	25	12,964	0.19%
- Overdue less than 30 days	104	1	103	0.83%
- Overdue 30-90 days	50	2	48	4.83%
- Overdue 91-180 days	49	33	16	67.77%
- Overdue 181-365 days	3	-	2	0.04%
- Overdue more than 365 days	-	-	-	0.00%
Total consumer loans	13,194	61	13,133	0.46%
Car Loans				
- Not past due	2,125	3	2,123	0.12%
- Overdue less than 30 days	34	1	33	2.42%
- Overdue 30-90 days	29	3	26	10.90%
- Overdue 91-180 days	14	7	6	54.88%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total car loans	2,202	14	2,188	0.63%
Loans to individual entrepreneurs				
- Not past due	266	1	265	0.25%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total loans to individual entrepreneurs	266	1	265	0.25%
Other				
- Not past due	30	-	30	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	30	-	30	0.00%
Total loans to individuals	37,671	873	36,798	2.32%

Movements in allowances for impairment losses for the years ended 31 March 2011 and 2010 were as follows.

	For the three month ended 31 March	
	2011	2010
As at 1 January	15,558	17,027
Provision charge/release	2,190	1,441
Recovery of bad debt written-off	23	-
Foreign currency revaluation effect	(338)	-
Disposal of loans	(950)	(91)
Bad debt written-off	(450)	(28)
As at 31 March	16,033	18,349

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

	31 March 2011	31 December 2010
Analysis by industry sector:		
Industrial manufacturing	84,067	83,118
Wholesale trade	47,640	41,054
Brokerage and dealing in securities	43,721	42,789
Individuals	40,044	37,671
Leasing	26,102	17,891
Operations with real estate	19,186	16,259
Services	18,430	20,520
Construction of industrial real estate	18,110	15,182
Retail trade	13,754	12,528
Housing construction	11,485	17,014
Construction of commercial real estate	11,429	12,159
Transport and communication	9,370	10,059
Energy	8,251	8,539
Agriculture	2,761	3,230
Government finance	1,317	1,987
Precious metals extraction	882	1,011
Other	14,453	13,849
Gross loans to customers	371,002	354,860
Less – Allowance for impairment losses	(16,033)	(15,558)
Total loans to customers	354,969	339,302

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

	31 March 2011	31 December 2010
Loans collateralized by guarantees of enterprises and banks	96,215	95,022
Loans collateralized by pledge of securities	69,238	66,212
Loans collateralized by pledge of real estate	58,646	50,660
Loans collateralized by pledge of contract proceeds	33,727	30,327
Loans collateralized by pledge of property	23,968	21,121
Loans collateralized by pledge of the Bank's own securities	1,231	102
Unsecured loans	47,933	53,745
Gross loans to corporate customers	330,958	317,189
Less – Allowance for impairment losses	(15,146)	(14,685)
Total loans to corporate customers	315,812	302,504

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

	<u>31 March 2011</u>	<u>31 December 2010</u>
Loans collateralized by pledge of real estate	17,259	18,382
Loans collateralized by guarantees of enterprises	9,886	10,270
Loans collateralized by pledge of vehicles and other property	2,148	2,075
Loans collateralized by pledge of securities	1,483	1,587
Loans collateralized by pledge of contract proceeds	425	471
Loans collateralized by pledge of the Bank's own securities	5	5
Unsecured loans	8,838	4,881
Gross loans to individuals	40,044	37,671
Less – Allowance for impairment losses	(887)	(873)
Total loans to individuals	<u>39,157</u>	<u>36,798</u>

As at 31 March 2011 and 31 December 2010 the Group had property with carrying amount of RUB 244 million and RUB 219 million, respectively received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the statement of cash flows).

As at 31 March 2011 the Group received investment property amounting to 1,257 million received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the statement of cash flows).

As at 31 March 2011 and 31 December 2010 the Group granted loans to six and seven borrowers totalling to RUB 56,358 million and RUB 59,011 million, respectively, which exposure individually exceeded 10% of the Group's equity. Borrowers, individually exceeding 10% of the Group equity have good credit history and the loans provided to them are in good book.

As at 31 March 2011 six largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 56,358 million. As at 31 December 2010 seven largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 59,011 million.

As at 31 March 2011 and 31 December 2010 renegotiated loans amounted to RUB 6,059 million and RUB 5,512 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans are mainly involved extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 March 2011 and 31 December 2010 are presented as follows:

	<u>31 March 2011</u>		<u>31 December 2010</u>	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares of Russian companies	35,206	43,913	33,787	42,381
Bonds of Russian banks	3,078	3,315	7,045	7,619
Corporate Eurobonds	1,300	1,314	842	832
Promissory notes	3,297	3,364	832	840
Bonds of Russian companies	635	704	793	1000
Eurobonds of banks	-	-	172	173
Units of investment funds	205	199	-	-
Total	<u>43,721</u>	<u>52,809</u>	<u>43,471</u>	<u>52,845</u>

The components of net investment in finance lease as at 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Less than one year	1,584	1,181
From one year to five years	2,195	1,915
More than five years	18	22
Minimum lease payments	3,797	3,118
Less: unearned finance income	(996)	(834)
Net investment in finance lease	2,801	2,284
Current portion	1,050	804
Long-term portion	1,751	1,480
Net investment in finance lease	2,801	2,284

During the period ended 31 March 2011 and 31 December 2010 the Bank sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	Three months ended 31 March 2011 (RUB million)	Three months ended 31 March 2010 (RUB million)
Fair value of the consideration received	4,055	805
Carrying amount net of provisions	(3,994)	(736)
Net gain on disposal of loans	61	69

13. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Interest rate to nominal	31 March 2011 (RUB million)	Interest rate to nominal	31 December 2010 (RUB million)
Promissory notes of credit institutions	3.2-11.5%	12,788	11.3-12.0%	10,903
Corporate bonds and Eurobonds	5.4-17.0%	7,828	5.9-13.5%	4,725
Units of investment funds	-	5,236	-	5,235
OFZ bonds	7.1%-8.0%	3,679	6.9-8.0%	209
RF Government Eurobonds	6.6-12.0%	2,862	7.5%	1,215
Bonds and Eurobonds issued by banks	6.5-12.5%	2,789	7.5-14.9%	859
Bonds of foreign countries	8.6-8.9%	2,215	8.8%	856
Promissory notes of companies	8.0%	1,193	8.0%	1,171
Corporate shares	-	469	-	417
Municipal bonds	8.0%	157	8.0%	151
Share participation in limited liability companies	-	3	-	1
Municipal Eurobonds	-	-	6.5%	21
Total investments available-for-sale		39,219		25,763

Promissory notes of credit institutions include interest-bearing and discount-bearing securities of large Russian banks with maturities from April 2011 to March 2012. As at 31 March 2011 promissory notes of credit institutions with a fair value amount of RUB 3,173 million, were pledged under repurchase agreements with banks (see Note 15). As at 31 December 2010 no promissory notes of credit institutions were pledged under repurchase agreements with banks (see Note 15).

Corporate bonds and Eurobonds include bonds of Russian companies. As at 31 March 2011 and 31 December 2010 contractual maturities of corporate bonds held by the Group were from July 2011 to December 2036 and from June 2011 to December 2036, respectively. As at 31 March 2011 and 31 December 2010 corporate bonds with a fair value amount of RUB 7,570 million and of RUB 3,659 million, were pledged under repurchase agreements with banks (see Note 15).

RF Government Eurobonds are bonds nominated in foreign currency with maturity in March 2030. As at 31 March 2011 and 31 December 2010 include Eurobonds of the Russian Federation with a fair value amount of RUB 2,862 million and RUB 1,215 million were pledged under repurchase agreements with banks (see Note 15).

Units of investment funds included in financial assets available-for-sale are presented as follows:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
ZPIF Rusnedra	5,226	5,226
OPIF of shares "Troika-Dialog – Dobrynya Nikitich"	10	9
Total units of investment funds	5,236	5,235

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

Bonds of foreign countries include bonds of the Republic of Belarus. As at 31 March 2011 and 31 December 2010 contractual maturities of bonds of foreign countries held by the Group were from August 2015 to January 2018, respectively. As at 31 March 2011 and 31 December 2010 bonds with fair value of RUB 2,165 million and RUB 646 million were pledged under repurchase agreements with banks (see Note 15).

As at 31 March 2011 and 31 December 2010 bonds and Eurobonds issued by banks include bonds of Russian banks and the Republic of Kazakhstan with contractual maturities from October 2011 to February 2018 and from October 2011 to October 2016. As at 31 March 2011 and 31 December 2010 bonds and Eurobonds issued by banks with fair value of RUB 810 million and RUB 217 million were pledged under repurchase agreements with banks (Note 15).

As at 31 March 2011 and 31 December 2010, promissory notes of companies include interest-bearing securities of large Russian companies with maturities from June 2011 to May 2015.

Corporate shares include quoted shares of Russian companies and other investments in unquoted equity instruments.

As at 31 March 2011 and 31 December 2010 OFZ bonds are government securities issued by the Russian Ministry of Finance denominated in the currency of the RF and contractual maturities from February 2013 to February 2036 and from November 2021 to February 2036.

Municipal bonds of the Russian Federation include bonds of the Moscow Region Government. As at 31 March 2011 and 31 December 2010 municipal bonds had maturities in April 2014.

Municipal Eurobonds include bonds of the Moscow Region Government nominated in foreign currency with maturity in October 2011.

For the three months ended 31 March 2011 and 31 March 2010 impairment loss on corporate shares and bonds amounting to RUB 21 million and RUB 12 million, respectively, was recognised.

14. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	Interest rate to nominal	31 March 2011 (RUB million)	Interest rate to nominal	31 December 2010 (RUB million)
Corporate bonds	7.75-17.0%	1,307	7.75-17.0%	1,311
Municipal bonds	9.0%	658	9.0%	645
OFZ bonds	6.9%	24	6.9%	25
Total investments held to maturity before allowance for impairment losses		1,989		1,981
Less – Allowance for impairment losses		(1,130)		(1,129)
Total investments held to maturity		859		852

Following the adopted amendments to IAS 39 and IFRS 7 the management of the Bank has made the decision dated 31 October 2008 to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from the first of July 2008. The reclassified securities amounted to RUB 2,054 million at the date of reclassification. If the reclassification had not been made, the Group's income statement for the three months ended 31 March 2011 and 2010 would have included unrealized fair value losses on the reclassified debt securities of RUB 588 million and RUB 88 million respectively.

For the three months ended 31 March 2011 and 31 March 2010 interest income on impaired investments held to maturity, amounted to RUB 9 million and RUB 12 million, respectively.

Movements in allowances for impairment losses for the years ended 31 March 2011 and 2010 were as follows.

	For the three months ended 31 March	
	2011	2010
As of 1 January	1,129	684
Provision charge/release	1	101
As of 31 March	1,130	785

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

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

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Deposits from banks	62,485	41,167
Loans under repurchase agreements	18,153	6,856
Correspondent accounts of other banks	7,933	8,802
Syndicated loans	2,837	3,014
Total due to banks and the Central Bank of the Russian Federation	91,408	59,839

As at 31 March 2011 carrying value of syndicated loans received by the Group from Russian, OECD and non-OECD banks comprised RUB 2,836 million. The contractual maturity of syndicated loan is August 2011, and the interest rate is tied to six-month LIBOR +2.5%.

As at 31 December 2010 carrying value of syndicated loans received by the Group from Russian, OECD and non-OECD banks comprised RUB 3,014 million. The contractual maturity of syndicated loan is August 2011, and the interest rate is tied to six-month LIBOR +2.5%.

As at 31 March 2011 and 31 December 2010 the Group had deposits from two banks amounted to RUB 33,645 million and RUB 13,202 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 March 2011 and 31 December 2010 are presented as follows:

	31 March 2011		31 December 2010	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	6,444	7,630	3,018	3,659
RF Government Eurobonds	3,339	3,919	1,684	2,142
Promissory notes issued by credit institutions	3,150	3,173	-	-
Corporate shares	2,779	4,408	1,479	2,201
Bonds of foreign countries	1,689	2,165	485	646
Bonds and Eurobonds issued banks	752	810	190	217
Total	18,153	22,105	6,856	8,865

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Term deposits	217,039	222,144
Current accounts	90,190	83,753
Term deposits from Deposit Insurance Agency	6,362	6,363
Loans under repurchase agreements	1,054	1,116
Total customer accounts	314,645	313,376

As at 31 March 2011 and 31 December 2010 the Group received funds from six and from three customers amounting to RUB 46,992 million and RUB 27,160 million, respectively, which individually and aggregate exceeded 10% of the Group's equity.

As at 31 March 2011 and 31 December 2010 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Gold	2,071	3,338
Silver	243	406
Palladium	185	39
Platinum	7	6
Total customer accounts denominated in precious metals	2,506	3,789

As at 31 March 2011 and 31 December 2010 customer accounts amounting to RUB 2,103 million and RUB 1,223 million, respectively, were held as security against other financial transactions with by the Group (see Note 20).

As at 31 March 2011 and 31 December 2010 the Group provided loans to customers in the amount of RUB 6,112 million and of RUB 6,451 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,362 million and RUB 6,363 million, respectively.

Analysis of customer accounts by economic sector is presented below:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Individuals	120,639	118,629
Investment and asset management companies	41,199	38,351
Regional and local budgets funds	24,765	27,320
Industrial manufacturing	17,798	19,922
Science	15,325	6,459
Services	14,231	16,633
Wholesale trade	11,825	13,314
Construction of industrial real estate	10,897	14,285
Transport and communication	10,886	12,577
Energy	10,320	9,141
Operations on real estate	7,423	4,540
Insurance	7,177	9,249
Precious metals extraction	4,467	5,767
Construction of commercial real estate	3,995	3,183
Retail trade	3,686	3,887
Leasing	1,738	2,903
Brokerage and dealing in securities	1,054	1,116
Agriculture	331	384
Housing construction	47	108
Other	6,842	5,608
Total customer accounts	314,645	313,376

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 March 2011 and 31 December 2010 are presented as follows:

	31 March 2011		31 December 2010	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate shares	1,054	1,629	1,116	1,786
Total	1,054	1,629	1,116	1,786

17. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Bonds issued in local market	21,473	16,678
Eurobonds due in 2013	11,523	12,167
Eurobonds due in 2012	5,225	5,567
Total bonds and Eurobonds issued	38,221	34,412

Bonds and Eurobonds as at 31 March 2011 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 March 2011 (RUB million)</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,042
NOMOS, BO-01	Roubles	2011	2014	7.00%	5,031
NOMOS, 9th issue	Roubles	2008	2013	7.00%	4,049
NOMOS, 11th issue	Roubles	2009	2014	7.40%	3,184
2 nd issue	Roubles	2010	2013	7.85%	2,381
1st issue	Roubles	2008	2011	7.00%	1,786
Total bonds issued					21,473
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,523
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,225
Total Eurobonds issued					16,748
Total bonds and Eurobonds issued					38,221

Bonds and Eurobonds as at 31 December 2010 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2010 (RUB million)</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	4,854
NOMOS, 9th issue	Roubles	2008	2013	7.00%	3,770
2 nd issue	Roubles	2010	2013	7.85%	2,379
NOMOS, 11th issue	Roubles	2009	2014	7.40%	2,315
NOMOS, 8th issue	Roubles	2008	2011	9.50%	1,693
1st issue	Roubles	2008	2011	7.00%	1,667
Total bonds issued					16,678
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,167
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,567
Total Eurobonds issued					17,734
Total bonds and Eurobonds issued					34,412

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

In accordance with the terms of covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as of the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants during the periods ended 31 March 2011 and 31 December 2010.

18. SUBORDINATED DEBT

Subordinated debt is presented as follows:

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

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 March 2011 (RUB million)
Subordinated bonds	US Dollars	2010	2015	8.75%	10,248
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	3,691
Subordinated bonds	US Dollars	2007	2018	11.00%	3,127
Subordinated loan	Roubles	2009	2019	6.50%	1,506
Subordinated loan	Roubles	2010	2021	9.25%	1,500
Subordinated loan	Roubles	2007	2015	8.10%	650
Subordinated loan	Roubles	2008	2015	7.75%	441
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2006	2013	10.00%	39
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	34
Subordinated loan	Roubles	2007	2014	10.00%	19
					26,299

The following table provides information on subordinated debt as at 31 December 2010:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2010 (RUB million)
Subordinated bonds	US Dollars	2010	2015	8.75%	10,750
Subordinated loan	Roubles	2009	2019	8.00%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	3,863
Subordinated bonds	US Dollars	2007	2018	11.00%	3,263
Subordinated loan	Roubles	2009	2019	6.50%	1,493
Subordinated loan	Roubles	2010	2021	9.25%	1,500
Subordinated loan	Roubles	2007	2015	7.85%	650
Subordinated loan	Roubles	2008	2015	7.75%	436
Subordinated loan	Roubles	2010	2016	6.00%	61
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2006	2013	10.00%	39
Subordinated loan	Roubles	2010	2016	8.00%	38
Subordinated loan	Roubles	2009	2016	11.30%	34
Subordinated loan	Roubles	2007	2014	10.00%	19
					27,091

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

19. SHARE CAPITAL AND SHARE PREMIUM

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

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Issued and fully paid				
31 December 2009	81,985	4,099	12,100	605
31 March 2010	81,985	4,099	12,100	605
31 December 2010	86,846	4,342	2,420	121
Required	-	-	(2,420)	(121)
31 March 2011	86,846	4,342	-	-

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

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

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

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

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Authorized				
31 December 2009	184,343	9,217	48,100	2,405
31 March 2010	184,343	9,217	48,100	2,405
31 December 2010	184,343	9,217	48,100	2,405
31 March 2011	184,343	9,217	48,100	2,405

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

The Group's subsidiary company LLC "Promgazkomplekt" has repurchased 12,100 million items of the Group's preference shares. The financial result from the deal is recognized in consolidated statement of changes in equity. The deal was performed in terms of the Group's organization structure optimization. The Group has no intention to sell back these shares in foreseeable future.

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

Share premium represents the excess of contributions received over the nominal value of shares issued or sold. Ordinary shares were distributed or sold with a premium of RUB 15,859 million as at 31 March 2011 and 31 December 2010.

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

20. COMMITMENTS AND CONTINGENCIES

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

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

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

As at 31 March 2011 and 31 December 2010 allowances for guarantees and other off-balance sheet commitments were RUB 259 million and RUB 324 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 31 March 2011 and 31 December 2010 the nominal or contract amounts and risk-weighted amounts were:

	31 March 2011		31 December 2010	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Commitments on loans and unused credit lines	71,909	20,446	74,330	18,405
Guarantees issued and similar commitments	85,788	53,322	73,609	73,284
Letters of credit and other contingent commitments related to settlement operations	6,154	2,026	7,626	3,202
Total contingent liabilities and credit commitments	163,851	75,794	155,565	94,891

As at 31 March 2011 and 31 December 2010 letters of credit of RUB 2,103 million and RUB 1,222 million, respectively, were secured by cash deposited in customer accounts (see Note 16).

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 31 March 2011 and 31 December 2010 are presented in the table below.

	31 March 2011 (RUB million)	31 December 2010 (RUB million)
Not later than 1 year	469	405
Later than 1 year and not later than 5 years	877	817
Later than 5 years	77	205
Total operating lease	1,423	1,427

Fiduciary activities – The Group provides depositary services to its customers. As at 31 March 2011 and 31 December 2010 the Group had customers' securities of 16,157,217,781 items, and 2,413,913,716,332 items, respectively, in its nominal holder's accounts.

As at 31 March 2011 and 31 December 2010 the Group kept in its vault 3,188 kg of gold bullion, 4,884 kg of silver bullion, 76 kg of palladium bullion, 36 kg of platinum bullion, and 2,580 kg of gold bullion, 6,413 kg of silver bullion, 29 kg of palladium bullion, 75 kg of platinum bullion respectively, owned by the Group's customers.

As at 31 March 2011 and 31 December 2010 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 32,374 million and RUB 32,905 million, respectively, which are not recognized in the consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

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

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

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

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the three months ended 31 March 2011 and 2010 the Group made payments to the non-government pension fund of RUB 1 million and RUB 1 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

Operating Environment – The Group's principal business activities are within the RF. Laws and regulations affecting the business environment in the RF are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

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

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected the Russian Federation financial and capital markets in 2008 and 2009 has receded and the Russian Federation economy returned to growth in 2010 and 2011. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Russian Federation economy, adversely affect the Group's access to capital and cost of capital or the Group and, more generally, its business, results of operations, financial condition and prospects.

The Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the three months ended 31 March 2011 and 2010 was 3.8% and 3.2%, respectively).

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

During the period starting from the 1 January 2011 and till 31 March 2011 the Central Bank of the Russian Federation has established new regulatory requirement applied to the minimum reserve deposits with the CBR. New ratios for minimum reserve deposits with the CBR increased from 2.5, which was effective as at 31 December 2010 to 4.5%-3.5% during the three month ended 31 March 2011.

21. SEGMENT REPORTING

The Group has restated the segments as at 31 March 2010 and for the periods than ended to align with the following segments description in line with the information provided to the Chief Operating Decision Maker.

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

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

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

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2011
External interest income	7,261	699	1,378	2,436	24	-	11,798
External interest expense	(1,649)	(91)	(1,812)	(1,017)	(1,058)	-	(5,627)
Internal funding costs/revenues from Central treasury	(2,370)	3	1,625	(345)	1,083	4	-
Net interest income	3,242	611	1,191	1,074	49	4	6,171
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(424)	(66)	(83)	25	-	-	(548)
Net interest income after provision	2,818	545	1,108	1,099	49	4	5,623
Fee and commission income	569	253	406	136	3	-	1,367
Fee and commission expense	(34)	(5)	(87)	(78)	(27)	-	(231)
Trading and foreign exchange results	250	21	10	587	19	(6)	881
Other operating income	123	-	15	4	15	22	179
Net result from other segments*	(32)	-	(1)	50	(17)	-	-
Total operating income before impairment losses and provision	3,694	814	1,451	1,798	42	20	7,819
Impairment losses of investments available for sale and investment property and provisions on other transactions	25	(56)	(24)	(1)	-	(25)	(81)
Operating expense	(887)	(496)	(1,330)	(261)	(14)	(650)	(3,638)
Profit before taxation	2,832	262	97	1,536	28	(655)	4,100
Income tax	-	-	-	-	-	(859)	(859)
Profit for the period	2,832	262	97	1,536	28	(1,514)	3,241
Depreciation and amortization expense	(85)	(48)	(161)	(30)	(2)	(75)	(401)
Capital expenditures	69	39	122	23	2	59	314

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

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 March 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	57	-	8,237	15,671	10,264	1	34,230
Minimum reserve deposits with CBR	473	81	450	163	2,502	-	3,669
Precious metals	6,002	-	16	-	-	-	6,018
Financial assets at fair value through profit or loss	634	-	-	51,287	-	-	51,921
Loans and advances to banks and other financial institutions	4,545	4	1,112	37,266	15,262	-	58,189
Loans to customers	259,136	20,883	38,926	35,996	-	28	354,969
Investments available-for-sale	3,565	-	-	33,963	1,691	-	39,219
Investments held to maturity	-	-	-	859	-	-	859
Property, plant and equipment	2,580	1,721	3,977	763	46	1,943	11,030
Goodwill	-	-	-	-	-	598	598
Intangible assets	1,084	240	1,090	188	17	564	3,183
Other assets	1,658	220	191	692	-	3,042	5,803
TOTAL ASSETS	279,734	23,149	53,999	176,848	29,782	6,176	569,688
LIABILITIES							
Financial liabilities at fair value through profit or loss	54	-	-	1,019	-	-	1,073
Due to banks and the Central Bank of the Russian Federation	14,165	2,500	263	71,643	2,837	-	91,408
Customer accounts	158,496	19,354	121,992	6,680	7,883	240	314,645
Bonds and Eurobonds	-	-	-	21,473	16,748	-	38,221
Promissory notes issued	14,273	350	93	18,123	-	-	32,839
Deferred income tax liabilities	-	-	-	-	-	1,232	1,232
Other liabilities	774	157	84	374	-	1,292	2,681
Subordinated debt	-	-	-	-	26,299	-	26,299
TOTAL LIABILITIES	187,762	22,361	122,432	119,312	53,767	2,764	508,398

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2010
External interest income	4,905	248	459	1,578	273	-	7,463
External interest expense	(873)	(21)	(1,234)	(807)	(1,210)	-	(4,145)
Internal funding costs/revenues from Central treasury	(2,354)	(84)	983	198	1,254	3	-
Net interest income	1,678	143	208	969	317	3	3,318
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,398)	7	(49)	(102)	-	-	(1,542)
Net interest income after provision	280	150	159	867	317	3	1,776
Fee and commission income	360	61	97	2	(26)	-	494
Fee and commission expense	(14)	-	(24)	(19)	(10)	-	(67)
Trading and foreign exchange results	56	6	14	1,926	(113)	-	1,889
Other operating income	147	21	55	24	1	5	253
Net result from other segments	-	-	-	-	-	-	-
Total operating income before impairment losses and provision	829	238	301	2,800	169	8	4,345
Impairment losses of investments available for sale and investment property and provisions on other transactions	135	(12)	(4)	(196)	-	3	(74)
Operating expenses and Impairment of buildings and constructions	(483)	(251)	(491)	(206)	(19)	(262)	(1,712)
Profit before taxation	481	(25)	(194)	2,398	150	(251)	2,559
Income tax	-	-	-	-	-	(506)	(506)
Profit for the period	481	(25)	(194)	2,398	150	(757)	2,053
Depreciation and amortization expense	(40)	(18)	(36)	(8)	(1)	(20)	(123)
Capital expenditures	516	325	567	101	13	372	1,894

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

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	10,076	12,898	17,511	3	40,489
Minimum reserve deposits with CBR	342	71	385	255	1,764	-	2,817
Precious metals	4,661	-	16	-	-	-	4,677
Financial assets at fair value through profit or loss	54	-	-	55,468	-	-	55,522
Loans and advances to banks and other financial institutions	110	-	1,078	34,151	5,891	347	41,577
Loans to customers	248,580	19,129	36,533	35,051	-	9	339,302
Investments available-for-sale	5,226	-	-	20,007	3	527	25,763
Investments held to maturity	-	-	-	852	-	-	852
Property, plant and equipment	3,296	1,644	3,802	1,187	169	878	10,976
Goodwill	-	-	-	-	-	598	597,652
Intangible assets	549	147	962	390	106	448	2,602
Other assets	1,673	134	121	1,596	-	1,518	5,042
TOTAL ASSETS	264,491	21,125	52,973	161,855	25,445	4,328	530,217
LIABILITIES							
Financial liabilities at fair value through profit or loss	9	-	-	996	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	9,821	2,500	579	43,926	3,013	-	59,839
Customer accounts	146,653	21,989	120,088	2,684	21,949	13	313,376
Bonds and Eurobonds	-	-	-	16,678	17,734	-	34,412
Promissory notes issued	12,971	77	41	20,079	-	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	764	64	169	23	2	1,187	2,209
Subordinated debt	-	-	-	-	27,091	-	27,091
TOTAL LIABILITIES	170,218	24,630	120,877	84,386	69,789	2,382	472,282

22. CAPITAL MANAGEMENT

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

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

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

The table below presents the composition of capital complying with Basel and discloses the capital – adequacy ratio for the reporting periods ended 31 March 2011 and 31 December 2010:

	<u>31 March 2011</u>	<u>31 December 2010</u>
Tier 1 capital	60,079	56,614
Tier 2 capital	<u>25,024</u>	<u>26,660</u>
Total regulatory capital	<u>85,103</u>	<u>83,274</u>
Risk-weighted assets:		
Credit risks	486,715	478,827
Market risks	<u>49,067</u>	<u>54,500</u>
Total risk-weighted assets	<u>535,782</u>	<u>533,327</u>
Basel ratio	15.88%	15.61 %
Tier 1	<u>11.21%</u>	<u>10.62 %</u>

As at 31 March 2011 and 31 December 2010 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord 1988. As at 31 March 2011 and 31 December 2010, the Bank and its individual banking subsidiaries complied with Basel capital requirements.

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

23. RISK MANAGEMENT POLICY

Foreign currency risk

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

The Group's exposure to foreign currency exchange rate risk as at 31 March 2011 and 31 December 2010 is presented in the table below:

	RUB	USD 1 USD = RUB 28.4290	Euro 1 EUR = RUB 40.0223	Gold 1 ounce = RUB 40,909.33	Other	31 March 2011 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	32,749	663	803	-	15	34,230
Minimum reserve deposits with the Central Bank of the Russian Federation	3,669	-	-	-	-	3,669
Financial assets at fair value through profit or loss	25,988	25,458	176	288	11	51,921
Loans and advances to banks and other financial institutions	27,965	21,649	8,165	26	384	58,189
Loans to customers	235,522	98,083	21,236	-	128	354,969
Investments available-for-sale	30,958	8,152	109	-	-	39,219
Investments held to maturity	859	-	-	-	-	859
Other financial assets	1,045	437	120	-	2	1,604
TOTAL FINANCIAL ASSETS	358,755	154,442	30,609	314	540	544,660
Precious metals	-	-	-	5,276	742	6,018
Property, plant and equipment	11,030	-	-	-	-	11,030
Goodwill	598	-	-	-	-	598
Intangible assets	3,183	-	-	-	-	3,183
Other non-financial assets	4,021	68	12	38	60	4,199
TOTAL NON-FINANCIAL ASSETS	18,832	68	12	5,314	802	25,028
TOTAL ASSETS	377,587	154,510	30,621	5,628	1,342	569,688
LIABILITIES						
Financial liabilities at fair value through profit or loss	643	330	35	51	14	1,073
Due to banks and the Central Bank of the Russian Federation	32,717	28,617	19,355	10,606	113	91,408
Customer accounts	272,446	24,575	14,861	2,071	692	314,645
Bonds and Eurobonds	21,473	16,748	-	-	-	38,221
Promissory notes issued	30,536	741	1,562	-	-	32,839
Other financial liabilities	1,337	243	15	-	4	1,599
Subordinated debt	9,234	17,065	-	-	-	26,299
TOTAL FINANCIAL LIABILITIES	368,386	88,319	35,828	12,728	823	506,084
Deferred income tax liabilities	1,232	-	-	-	-	1,232
Other non-financial liabilities	1,068	4	10	-	-	1,082
TOTAL NON-FINANCIAL LIABILITIES	2,300	4	10	-	-	2,314
TOTAL LIABILITIES	370,686	88,323	35,838	12,728	823	508,398
OPEN BALANCE SHEET POSITION	6,901	66,187	(5,217)	(7,100)	519	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(54,435)	(135,825)	(24,888)	(8,395)	(10,206)	(233,749)
Receivables under forward deals	100,130	76,660	31,596	15,488	9,875	233,749
Payables under spot deals	(18,063)	(67,091)	(55,675)	-	(251)	(141,080)
Receivables under spot deals	12,751	73,629	54,415	-	285	141,080
Payables under futures contracts	-	(14,854)	-	-	-	(14,854)
Receivables under futures contracts	14,854	-	-	-	-	14,854
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	55,237	(67,481)	5,448	7,093	(297)	
TOTAL OPEN POSITION	62,138	(1,294)	231	(7)	222	
CREDIT CONTINGENT LIABILITIES	138,140	14,673	10,902		136	

	RUB	USD 1 USD = RUB 30.4769	Euro 1 EUR = RUB 40.3331	Gold 1 ounce = RUB 42,980.05	Other	31 December 2010 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	39,007	791	682	-	9	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817	-	-	-	-	2,817
Financial assets at fair value through profit or loss	32,339	22,844	281	54	4	55,522
Loans and advances to banks and other financial institutions	14,174	16,497	10,526	4	376	41,577
Loans to customers	219,304	103,573	16,285	-	140	339,302
Investments available-for-sale	21,096	4,559	108	-	-	25,763
Investments held to maturity	852	-	-	-	-	852
Other financial assets	1,578	15	111	-	1	1,705
TOTAL FINANCIAL ASSETS	331,167	148,279	27,993	58	530	508,027
Precious metals	-	-	-	4,189	488	4,677
Property, plant and equipment	10,976	-	-	-	-	10,976
Goodwill	598	-	-	-	-	598
Intangible assets	2,602	-	-	-	-	2,602
Other non-financial assets	3,150	67	22	39	59	3,337
TOTAL NON-FINANCIAL ASSETS	17,326	67	22	4,228	547	22,190
TOTAL ASSETS	348,493	148,346	28,015	4,286	1,077	530,217
LIABILITIES						
Financial liabilities at fair value through profit or loss	592	271	126	12	4	1,005
Due to banks and the Central Bank of the Russian Federation	17,820	20,892	20,485	583	59	59,839
Customer accounts	266,837	27,959	14,577	3,338	665	313,376
Bonds and Eurobonds	16,678	17,734	-	-	-	34,412
Promissory notes issued	31,164	621	1,383	-	-	33,168
Other financial liabilities	1,240	12	-	-	-	1,252
Subordinated debt	9,215	17,876	-	-	-	27,091
TOTAL FINANCIAL LIABILITIES	343,546	85,365	36,571	3,933	728	470,143
Deferred income tax liabilities	1,182	-	-	-	-	1,182
Other non-financial liabilities	948	2	7	-	-	957
TOTAL NON-FINANCIAL LIABILITIES	2,130	2	7	-	-	2,139
TOTAL LIABILITIES	345,676	85,367	36,578	3,933	728	472,282
OPEN BALANCE SHEET POSITION	2,817	62,978	(8,563)	354	348	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(49,985)	(119,585)	(14,341)	(3,326)	(1,685)	(188,922)
Receivables under forward deals	105,201	56,570	22,477	3,100	1,574	188,922
Payables under spot deals	(3,830)	(5,023)	(244)	-	(14)	(9,111)
Receivables under spot deals	4,944	3,910	244	-	14	9,111
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	56,330	(64,128)	8,135	(226)	(111)	
TOTAL OPEN POSITION	59,147	(1,149)	(428)	127	238	
CREDIT CONTINGENT LIABILITIES	126,025	18,772	10,532	-	236	

The Group's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar/Euro will affect the carrying value of the Group's monetary assets and liabilities. Such changes may also affect the Group's ability to invest in non-monetary assets as measured in US dollars in this financial statements.

Liquidity risk

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

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

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

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

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

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

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

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

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

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 March 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	34,230	-	-	-	-	-	34,230
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	3,669	3,669
Precious metals	6,018	-	-	-	-	-	6,018
Financial assets at fair value through profit or loss	49,252	473	1,585	611	-	-	51,921
Loans and advances to banks and other financial institutions	43,183	1,804	9,202	4,000	-	-	58,189
Loans to customers	48,466	30,117	131,300	116,830	28,256	-	354,969
Investments available-for-sale	2,319	1,927	11,675	8,350	9,163	5,785	39,219
Investments held to maturity	-	-	176	659	24	-	859
Property, plant and equipment	-	-	-	-	-	11,030	11,030
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	3,183	3,183
Other assets	1,699	348	2,999	746	10	1	5,803
TOTAL ASSETS	185,167	34,669	156,937	131,196	37,453	24,266	569,688
LIABILITIES							
Financial liabilities at fair value through profit or loss	448	432	74	119	-	-	1,073
Due to banks and the Central Bank of the Russian Federation	35,750	5,298	38,620	8,975	2,765	-	91,408
Customer accounts	136,116	48,214	110,411	19,883	21	-	314,645
Bonds and Eurobonds	333	379	1,835	30,675	4,999	-	38,221
Promissory notes issued	1,792	6,042	23,507	1,498	-	-	32,839
Deferred income tax liabilities	-	-	-	-	-	1,232	1,232
Other liabilities	1,866	279	404	129	3	-	2,681
Subordinated debt	550	87	-	11,048	14,614	-	26,299
TOTAL LIABILITIES	176,855	60,731	174,851	72,327	22,402	1,232	508,398
Liquidity gap	8,312	(26,062)	(17,914)	58,869	15,051	-	-

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	40,489	-	-	-	-	-	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	2,817	2,817
Precious metals	4,677	-	-	-	-	-	4,677
Financial assets at fair value through profit or loss	53,166	837	1,125	394	-	-	55,522
Loans and advances to banks and other financial institutions	28,737	3,968	6,781	2,091	-	-	41,577
Loans to customers	48,120	28,774	107,830	126,899	27,679	-	339,302
Investments available-for-sale	1,845	6,959	3,938	9,734	3,287	-	25,763
Investments held to maturity	-	-	-	827	25	-	852
Property, plant and equipment	-	-	-	-	-	10,976	10,976
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	2,602	2,602
Other assets	1,792	303	2,714	121	98	14	5,042
TOTAL ASSETS	178,826	40,841	122,388	140,066	31,089	17,007	530,217
LIABILITIES							
Financial liabilities at fair value through profit or loss	289	120	422	174	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	25,613	7,233	15,237	8,428	3,328	-	59,839
Customer accounts	135,438	46,614	109,545	21,771	8	-	313,376
Bonds and Eurobonds	80	1,835	1,874	25,911	4,712	-	34,412
Promissory notes issued	2,682	4,327	24,395	1,761	3	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	787	258	888	273	-	-	2,209
Subordinated debt	-	-	272	11,749	15,070	-	27,091
TOTAL LIABILITIES	164,889	60,387	152,633	70,067	23,124	1,182	472,282
Liquidity gap	13,937	(19,546)	(30,245)	69,999	7,965	-	-

24. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
- Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- Parties with joint control over the Group;
- Joint ventures in which the Group is a venture; and
- Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following transactions outstanding as at 31 March 2011 and 31 December 2010 with related parties:

	31 March 2011			31 December 2010		
	Related party trans- actions	Average effective interest %	Total category as per financial statements caption	Related party trans- actions	Average effective interest %	Total category as per financial statements caption
Financial assets at fair value through profit or loss:	5,555		51,921	2,902		55,522
Debt securities						
- companies controlled by shareholders	5,381	9.23%		2,703	7.23%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	174			199		
Loans and advances to banks and other financial institutions:	1,158		58,189	17		41,577
Loans to banks and other financial institutions						
- companies controlled by shareholders	1,141	4.42%		-	-	
Correspondent accounts with banks						
- companies controlled by shareholders	17			17		
Loans to customers, gross:	28,240		371,002	27,244		354,860
- entities under common control	7,859	13.00%		9,521	10.30%	
- companies controlled by shareholders	20,381	9.74%		17,723	10.06%	
Allowance for impairment of loans to customers	(120)		(16,033)	(83)		(15,558)
- entities under common control	(2)			-		
- companies controlled by shareholders	(118)			(83)		
Investments available-for-sale	653		39,219			25,763
Debt securities						
- entities under common control	303	7.75%		-		
Equity securities						
- entities under common control	-					
- companies controlled by shareholders	350			-		
Other assets	4		5,803	-		5,042
- companies controlled by shareholders	4			-		
Financial liabilities at fair value through profit or loss	6		1,073	15		1,005
- companies controlled by shareholders	6			15		
Due to banks and the Central Bank of the Russian Federation:	1,493		91,408	1,691		59,839
Time deposits from banks						
- companies controlled by shareholders	1,479	4.12%		1,527	4.16%	
Correspondent accounts of other banks						
- companies controlled by shareholders	14			164		

	31 March 2011			31 December 2010		
	Related party transactions	Average effective interest %	Total category as per financial statements caption	Related party transactions	Average effective interest %	Total category as per financial statements caption
Customer accounts:	13,060		314,645	13,016		313,376
Time deposits						
- <i>shareholders of the Group</i>	499	3,16%		1,226	8.21%	
- <i>entities under common control</i>	-	-		43	5.79%	
- <i>companies controlled by shareholders</i>	9,184	7,35%		8,022	7.45%	
Repayable on demand						
- <i>shareholders of the Group</i>	1			16		
- <i>entities under common control</i>	5			54		
- <i>companies controlled by shareholders</i>	3,371			3,655		
Other liabilities	88		2,681	34		2,209
- <i>entities under common control</i>	-			-		
- <i>key management personnel</i>	87			22		
- <i>companies controlled by shareholders</i>	1			12		
Subordinated debt	2,591		26,299	2,586		27,091
- <i>shareholders of the Group</i>	1,500	6,74%		1,500	6.74%	
- <i>companies controlled by shareholders</i>	1,091	6,45%		1,086	6.34%	
Commitments on loans and unused credit lines	3,828		71,909	9,005		74,330
- <i>shareholders of the Group</i>	-			1		
- <i>companies controlled by shareholders</i>	3,828			9,004		
Guarantees issued and similar commitments	64		85,788	409		73,609
- <i>companies controlled by shareholders</i>	64			409		
Letters of credit and other contingent commitments related to settlement operations	47		6,154	-		7,626
- <i>companies controlled by shareholders</i>	47			-		
			Three month ended 31 March 2011 (RUB thousand)			Three month ended 31 March 2010 (RUB thousand)
			Key management personnel			Key management personnel
			Total for the Group			Total for the Group
Key management personnel compensation:						
- <i>salary</i>			1,719			867
- <i>bonuses</i>	55			18		
- <i>contribution to non-government pension fund</i>	58			2		
	-			-		

	Three month ended 31 March 2011 (RUB thousand)		Three month ended 31 March 2010 (RUB thousand)	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		11,798		7,463
- <i>companies controlled by shareholders</i>	570		373	
Interest expense		(5,627)		(4,145)
- <i>shareholders of the Group</i>	(48)		(244)	
- <i>entities under common control</i>	-		(2)	
- <i>companies controlled by shareholders</i>	(149)		(226)	
Allowance for impairment losses and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination		(2,191)		(1,542)
- <i>entities under common control</i>	203		-	
- <i>companies controlled by shareholders</i>	(138)		1	
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		1,864		1,772
- <i>companies controlled by shareholders</i>	25		133	
Net gain on foreign exchange operations		(1,075)		128
- <i>shareholders of the Group</i>	40		248	
- <i>companies controlled by shareholders</i>	(647)		124	
Net gain on operations with precious metals		117		(11)
- <i>companies controlled by shareholders</i>	(1)		-	
Fees and commission income		1,367		494
- <i>shareholders of the Group</i>	-		-	
- <i>entities under common control</i>	-		-	
- <i>companies controlled by shareholders</i>	32		28	
Fees and commission expense		(231)		(67)
- <i>entities under common control</i>	(7)		-	
- <i>companies controlled by shareholders</i>	-		(3)	
Other income		118		184
- <i>entities under common control</i>	-		-	
- <i>companies controlled by shareholders</i>	5		-	
Operating expenses		(3,638)		(1,712)
- <i>key management personnel</i>	(116)		(21)	
- <i>entities under common control</i>	-		(1)	
- <i>companies controlled by shareholders</i>	(24)		-	

25. SUBSEQUENT EVENTS

In April 2011 Nomos Bank has completed the initial public offering of its shares in London and in Moscow. The shares have been listed on the "Russian Trading System" Stock Exchange (RTS) and admitted to trading on the "MICEX" Stock Exchange (MICEX), in each case, under the symbol "NMOS", and the GDRs have been listed on the London Stock Exchange under the symbol "NMOS". The offer price of USD 35 per ordinary share corresponded to a price of USD 17.5 per GDR, with two GDRs representing an interest in one ordinary share. The offer price implies a market capitalisation for NOMOS of USD 3.2 billion or approximately RUB 91 billion following the capital increase via closed subscription. Total proceeds from the Offering were USD 782 million after exercise of the over-allotment option, and included RUB 5.5 billion of the primary capital, while the remaining shares were predominantly offered by Lobston Enterprises Limited. The free float represents 24.99% of NOMOS's total share capital post the capital increase and exercise of the over-allotment option.