

BANK VOZROZHDENIE

**International Financial Reporting Standards
Interim Quarterly Financial Statements
(unaudited)**

31 March 2011

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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of financial position as at March 31, 2011

(in millions of Russian Rubles)

1USD = 28,4290 Russian Ruble as at 31 March 2011

1USD = 30,4769 Russian Ruble as at 31 December 2010

March 31, 2011 **December 31, 2010**
(unaudited)

ASSETS

Cash and cash equivalents	32 977	32 151
Mandatory cash balances with the Central Bank of the Russian Federation	1 396	1 072
Trading securities held to maturity	14 725	12 182
Due from other banks	465	5 860
Loans and advances to customers	114 498	104 046
Investment securities available for sale	1 974	2 043
Investment securities held to maturity	176	-
Premises, equipment and intangible assets	3 061	3 132
Other financial assets	1 199	1 644
Other assets	4 002	4 028

TOTAL ASSETS	174 473	166 158
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LIABILITIES

Due to other banks	7 841	7 772
Customer accounts	136 874	130 334
Debt securities in issue	6 856	5 794
Subordinated loans	4 102	4 293
Other financial liabilities	1 132	611
Other liabilities	491	494

TOTAL LIABILITIES	157 296	149 298
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SHAREHOLDERS' EQUITY

Share capital	250	250
Share premium	7 306	7 306
Retained earnings	9 544	9 227
Other reserves/Funds	77	77

TOTAL SHAREHOLDERS' EQUITY	17 177	16 860
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	174 473	166 158
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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Comprehensive Income as at March 31, 2011

(in millions of Russian Rubles)

1USD = 28,4290 Russian Ruble as at 31 March 2011

1USD = 29,3638 Russian Ruble as at 31 March 2010

	3M 2011 (unaudited)	3M 2010 (unaudited)
Interest income	3 146	3 641
Interest expense	(1 782)	(2 183)
Net interest income	1 364	1 458
Provision/Recovery of provision for loan impairment	(350)	(625)
Net interest income after provision for loan impairment	1 014	833
Fee and commission income	1 092	900
Fee and commission expense	(86)	(73)
(Losses less gains)/ Gains less losses arising from trading securities	43	(27)
Income from trading in foreign currencies	830	537
Expenses from trading in foreign currencies	(726)	(482)
Foreign exchange translation gains less losses	(38)	3
Other operating income	60	28
Administrative and other operating expenses	(1 798)	(1 531)
Provision for impairment of other assets	5	-
Profit before tax	396	188
Income tax expense	(79)	(91)
PROFIT FOR THE REPORTING PERIOD	317	97
Other comprehensive income:		
Available-for-sale investments:		
Gains less losses arising during the year	(10)	10
Income tax recorded directly in other comprehensive income	10	2
Other comprehensive income for the year	-	12
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	317	109
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RUB per share)		
Ordinary shares	13	4
Preference shares with fixed dividend amount	15	4

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on March 31, 2011

	Share capital	Share premium	Other reserves/funds	Retained earnings	Total equity
Balance at December 31, 2009	250	7 306	70	8 660	16 286
Total comprehensive income for 2010	-	-	7	581	588
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2010	250	7 306	77	9 227	16 860
Total comprehensive income for 2011	-	-	-	317	317
Dividends declared	-	-	-	-	-
Balance at March 31, 2011	250	7 306	77	9 544	17 177

	Share capital	Share premium	Other reserves/funds	Retained earnings	Total equity
Balance at December 31, 2008	250	7 306	52	7 457	15 065
Total comprehensive income for 2009	-	-	18	1 217	1 235
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2009	250	7 306	70	8 660	16 286
Total comprehensive income for 2009	-	-	12	97	109
Dividends declared	-	-	-	-	-
Balance at March 31, 2010	250	7 306	82	8 757	16 395

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Cash Flows for the period ended on March 31, 2011

<i>(in millions of Russian Rubles)</i>	3M 2011 (unaudited)	3M 2010 (unaudited)
Cash flows from operating activities		
Interest received	3 030	3 195
Interest paid	(1 829)	(2 052)
Fees and commissions received	1 083	913
Fees and commissions paid	(86)	(73)
Net income received from trading securities	5	6
Net income received from trading in foreign currencies	104	52
Other operating income received	22	27
Administrative and other operating expenses paid	(1 673)	(1 409)
Income tax paid	(195)	(108)
Cash flows from operating activities before changes in operating assets and liabilities	461	551
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(324)	(128)
Net increase in trading securities	(2 792)	(93)
Net decrease/(increase) in due from other banks	5 372	(600)
Net increase in loans and advances to customers	(11 464)	(826)
Net decrease in other financial assets	446	137
Net increase/(decrease) in other assets	126	(60)
Net increase/ (decrease) in due to other banks	185	(2 298)
Net increase in customer accounts	7 774	7 262
Net increase/(decrease) in debt securities in issue	1 070	(1 619)
Net increase in other financial liabilities	513	552
Net decrease in other liabilities	(25)	(7)
Net cash used in operating activities	1 342	2 871
Cash flows from investing activities		
Acquisition of investment securities available for sale	(15)	-
Proceeds from disposal of investment securities available for sale	59	155
Acquisition of investment securities held to maturity	(175)	(146)
Acquisition of fixed and intangible assets	(54)	(97)
Proceeds from disposal of fixed and intangible assets	-	1
Proceeds from disposal of long term assets available for sale	181	-
Dividends	20	5
Net cash (used in)/from investing activities	16	(82)
Effect of exchange rate changes on cash and cash equivalents	(532)	(1 132)
Net increase in cash and cash equivalents	826	1 657
Cash and cash equivalents at the beginning of the year	32 151	34 101
Cash and cash equivalents at the end of the financial period	32 977	35 758

1 Introduction

These interim financial statements of Bank Vozrozhdenie has been prepared in accordance with International Financial Reporting (IAS) 34 "Interim financial statements" (the IFRS (IAS) 34) for three months ended March 31, 2011.

Presentation currency: these financial statements are presented in millions of Russian Roubles ("RR millions")

The official CBRF exchange rate was applied for reevaluation of balances on FX accounts, which is as of March 31, 2011 comprised RR28.4290, as of December 31, 2010 - RR30.4769, and as of March 31, 2010 – RR29.3638 per one USD and relatively RR40.0223, RR40.3331 and RR39.7028 per one EUR.

2 Principles of accounting policies, critical accounting estimates and judgments

This interim financial statement is to be considered along with Bank's annual financial statements for the year ended December 31, 2010.

This interim financial statement doesn't contain all notes which are obligatory to disclosure in a full version of financial statement.

Principles and methods of accounting policy applied in this interim financial statement comply with the principles and methods applied and described in the Bank's annual Financial Statement for the year ended December 31, 2010.

Judgments made by the Bank's management applying accounting policy comply with the judgments described in the Bank's annual Financial Statement for 2010. The Bank's Management didn't apply any new estimates and judgments. As a result of applying estimates and judgments described in the Bank's financial statements for the year ended December 31, 2010 the Bank's assets, revenues and income for three months ended March 31, 2011 didn't change materially.

3 Cash and cash equivalents

<i>(in millions of Russian Rubles)</i>	2011	2010
Cash on hand	7 561	10 792
Correspondent accounts and overnight placements with other banks		
- Russian Federation	9 322	202
- other countries	12 437	15 823
Cash balances with the CBRF (other than mandatory reserve deposits)	3 657	5 334
Total cash and cash equivalents	32 977	32 151

Cash and cash equivalents are not impaired and are not collateralized.

4 Trading securities

<i>Trading securities (in millions of Russian Rubles)</i>	2011	2010
Corporate Bonds	3 897	1 869
State Internal loan Bonds (OVGVZ)	3 651	3 898
Municipal Bonds	2 834	1 126
Federal loan bonds (OFZ)	2 282	269
CBRF bonds	1 511	4 588
Corporate Erobonds	549	431
Total debt securities	14 724	12 181
Corporate shares	1	1
Total trading securities	14 725	12 182

4 Trading securities (continued)

The entire trading securities portfolio includes trading securities quoted on the market.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Bank does not analyze or monitor impairment indicators. Trading securities are used by Bank basically for managing liquidity risk.

The Bank is licensed by the Federal Commission on the Securities Markets for trading in securities.

5 Due from Other Banks

<i>(in millions of Russian Rubles)</i>	2011	2010
Deposits with CBRF	-	4 500
Short-term placements with other banks	143	1 055
Insurance deposits with non-resident banks	322	305
Total due from other banks	465	5 860

The Bank has a significant concentration of credit risk with the CBRF. In total, credit risk exposure to the CBRF is estimated to have amounted to RR 13,464 million (2010: RR15,494 million), comprising cash and cash equivalents, mandatory reserve deposits with the CBRF and trading securities.

6 Loans and Advances to Customers

<i>(in millions of Russian Rubles)</i>	2011	2010
Corporate loans – large	35 205	31 715
Corporate loans – medium	53 590	48 206
Corporate loans – small	19 767	18 705
Mortgage loans	10 538	9 806
Other loans to individuals	6 936	6 804
Total loans and advances to customers (before provision for loan impairment)	126 036	115 236
Less: Provision for loan impairment	(11 538)	(11 190)
Total loans and advances to customers	114 498	104 046

In accordance with the annually approved Credit policy loans are divided into corporate and retail. Taking into consideration the Bank's customer policy requirements for 2011 the corporate portion of borrowers is further divided on the basis of total amount owned by the customer into the following categories: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million (2010: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million). Retail loans are divided into categories by product: mortgage loans and other loans to individuals including customer loans, car loans and bank card loans.

6 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 3M 2011 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2010	2 014	5 086	3 026	480	584	11 190
Charges to/ (release of) provision for loan impairment during the year	(29)	314	51	21	(7)	350
Amounts written off during the year as uncollectible	-	-	(2)	-	-	(2)
Provision for loan impairment at March 31, 2011	1 985	5 400	3 075	501	577	11 538

Movements in the provision for loan impairment during 2010 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2010	1 631	4 129	2 660	449	570	9 439
Provision for loan impairment during the year	383	957	476	31	25	1 872
Amounts written off during the year as uncollectible	-	-	(110)	-	(11)	(121)
Provision for loan impairment at December 31, 2010	2 014	5 086	3 026	480	584	11 190

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in millions of Russian Rubles)</i>	2011		2010	
	Amount	%	Amount	%
Manufacturing	32 337	26	28 261	24
Trade	28 651	23	27 118	24
Individuals	17 474	14	16 610	14
Construction	10 596	8	10 251	9
State and public organizations	8 497	7	8 097	7
Transport and communications	7 319	6	6 849	6
Finance	5 697	4	2 916	3
Agricultural	4 977	4	4 406	4
Other	10 488	8	10 728	9
Total Loans and advances to customers (Before provisions for loan impairment)	126 036	100	115 236	100

State and public organizations exclude government owned profit oriented businesses.

At March 31, 2011 the Bank had 25 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 35 205 million or 27.9% of the gross loan portfolio.

At December 31, 2010 the bank had 23 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 31 715 million or 27.5% of the gross loan portfolio.

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at March 31, 2011 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	19 692	-	-	-	-	19 692
- Large new borrowers	13 889	-	-	-	-	13 889
- Loans assessed on a portfolio basis	-	48 263	16 899	9 884	6 348	81 726
Total neither past due nor impaired	33 581	48 263	16 899	9 884	6 348	114 975
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	43	55	318	99	515
- 30 to 90 days overdue	-	-	-	46	8	54
- 90 to 180 days overdue	-	-	-	15	3	18
- 180 to 360 days overdue	-	-	-	40	9	49
Total past due but not impaired	-	43	55	419	119	636
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	873	34	-	-	907
- 30 to 90 days overdue	-	-	58	-	13	71
- 90 to 180 days overdue	-	232	84	-	9	325
- 180 to 360 days overdue	-	739	67	-	21	827
- over 360 days overdue	-	2 860	2 351	-	179	5 390
Total loans collectively determined to be impaired (gross)	-	4 704	2 594	-	222	7 520
<i>Loans individually determined to be impaired (gross)</i>						
- less than 30 days overdue	774	-	-	-	-	774
- 30 to 90 days overdue	-	-	-	1	13	14
- 90 to 180 days overdue	-	-	-	-	5	5
- 180 to 360 days overdue	-	-	86	-	10	96
- over 360 days overdue	850	580	133	234	219	2 016
Total loans individually determined to be impaired (gross)	1 624	580	219	235	247	2 905
Less impairment provisions	(1 985)	(5 400)	(3 075)	(501)	(577)	(11 538)
Total loans and advances to customers less provision	33 220	48 190	16 692	10 037	6 359	114 498

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at December 31, 2010 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	17 805	-	-	-	-	17 805
- Large new borrowers	10 974	-	-	-	-	10 974
- Loans to medium size entities	-	3 042	-	-	-	3 042
- Loans assessed on a portfolio basis	-	39 792	15 960	9 327	6 258	71 337
Total neither past due nor impaired	28 779	42 834	15 960	9 327	6 258	103 158
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	200	29	169	55	453
- 30 to 90 days overdue	-	2	-	34	6	42
- 90 to 180 days overdue	-	223	-	20	8	251
- 180 to 360 days overdue	-	-	-	17	5	22
Total past due but not impaired	-	425	29	240	74	768
<i>Loans collectively determined to be impaired (gross)</i>						
- 30 to 90 days overdue	-	-	56	-	23	211
- 90 to 180 days overdue	-	-	26	-	31	619
- 180 to 360 days overdue	-	100	68	-	81	1 257
- over 360 days overdue	-	870	2 347	-	101	1 782
Total loans collectively determined to be impaired (gross)	-	970	2 497	-	227	3 694
<i>Loans individually determined to be impaired (gross)</i>						
- less than 30 days overdue	2 086	914	-	-	-	3 000
- 30 to 90 days overdue	-	-	-	-	8	8
- 90 to 180 days overdue	-	16	-	-	6	22
- 180 to 360 days overdue	-	1 180	86	-	13	1 279
- over 360 days overdue	850	1 867	133	239	218	3 307
Total loans individually determined to be impaired (gross)	2 936	3 977	219	239	245	7 616
Less impairment provisions	(2 014)	(5 086)	(3 026)	(480)	(584)	(11 190)
Total loans and advances to customers	29 701	43 120	15 679	9 326	6 220	104 046

6 Loans and advances to customers (continued)

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and reliability of related collateral, if any.

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and booked portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan at the end of the reporting period. Since 2011 the Bank changed level of essentiality for assessment of loans on individual basis, that caused increase of loans collectively determined to be impaired/

The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans represent collateralised loans where the discounted fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The value of collateral at March 31, 2011 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	6 096	8 229	2 371	797	1 362	18 855
Secured loans:						
- residential real estate	-	-	-	7 734	1 213	8 947
- production real estate	16 120	24 255	8 214	-	-	48 589
- equipment and inventories, motor vehicles	5 292	9 812	6 010	-	470	21 584
- securities (shares, promissory notes)	-	-	19	1	10	30
- cash deposits	-	-	16	-	48	64
- state guarantees and guarantees of the RF constituents	-	1 974	674	-	-	2 648
- third parties' guarantees	5 906	6 148	2 373	95	2 484	17 006
- other assets (other types of property, rights)	1 791	3 172	90	1 911	1 349	8 313
Total loans and advances to customers (before provisions for loan impairment)	35 205	53 590	19 767	10 538	6 936	126 036

6 Loans and advances to customers (continued)

The value of collateral at December 31, 2010 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	5 613	7 404	2 046	707	1 140	16 910
<i>Secured loans:</i>						
- residential real estate	-	-	-	8 999	1 399	10 398
- production real estate	13 928	24 127	8 273	-	-	46 328
- equipment and inventories, motor vehicles	3 978	8 791	6 001	-	483	19 253
- securities (shares, promissory notes)	-	-	22	1	10	33
- cash deposits	-	116	17	-	51	184
- state guarantees and guarantees of the RF constituents	-	1 571	507	-	-	2 078
- third parties' guarantees	5 061	3 266	1 694	97	2 458	12 576
- other assets (other types of property, rights)	3 135	2 931	145	2	1 263	7 476
Total loans and advances to customers (before provisions for loan impairment)	31 715	48 206	18 705	9 806	6 804	115 236

7 Securities Available for Sale

<i>(in millions of Russian Rubles)</i>	2011	2010
Municipal bonds	1 166	1 171
Corporate Eurobonds	197	197
Corporate bonds	112	111
RF Eurobonds	59	122
Total debt securities	1 534	1 601
Corporate shares	440	442
Total investment securities available for sale	1 974	2 043

The movements in investment securities available for sale are as follows:

<i>(in millions of Russian Rubles)</i>	2011	2010
Carrying amount at 1 January	2 043	1 312
Fair value gains less losses	(10)	(5)
Interest income accrued	11	4
Interest income received	1	55
Purchases	15	1 589
Disposals of investment securities available for sale	(59)	(876)
Writing off of investment securities available for sale	-	(30)
Other	(27)	(6)
Carrying amount at March 31/December 31	1 974	2 043

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2011

8 Investment securities held to maturity

<i>(in millions of Russian Rubles)</i>	2011	2010
Corporate promissory notes	176	-
Total investment securities held to maturity	176	-

Corporate promissory notes are the promissory notes of one Russian large company nominated in Russian rubles. These promissory notes have maturity date on December 2011 and discount rate of 5.0%.

9 Other Assets

<i>(in millions of Russian Rubles)</i>	2011	2010
Inventories	2 787	2 827
Deferred income tax asset	718	566
Investment properties	467	601
Non-current assets held for sale	103	114
Other	37	42
Total other assets (before provisions)	4 112	4 150
Less provisions on impairment of other assets	(110)	(122)
Total other assets	4 002	4 028

10 Due to Other Banks

<i>(in millions of Russian Rubles)</i>	2011	2010
Placements of other banks	7 095	6 936
Correspondent accounts of other banks	746	836
Total due to other banks	7 841	7 772

11 Customer Accounts

<i>(in millions of Russian Rubles)</i>	2011	2010
State and public organisations		
- Current/settlement accounts	316	245
- Term deposits	1 355	1 501
Other legal entities		
- Current/settlement accounts	31 069	28 201
- Term deposits	19 367	15 136
Individuals		
- Current/demand accounts	14 796	16 539
- Term deposits	69 971	68 712
Total customer accounts	136 874	130 334

11 Customer Accounts (continued)

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>(in millions of Russian Rubles)</i>	2011		2010	
	Amount	%	Amount	%
Individuals	84 767	62	85 251	65
Finance	14 425	11	12 594	10
Trade	13 476	10	10 341	8
Manufacturing	6 448	5	6 129	5
Transport and communications	2 752	2	3 663	3
Construction	5 579	4	3 335	3
State and public organisations	1 670	1	1 746	1
Agriculture	919	1	1 358	1
Other	6 838	4	5 917	4
Total customer accounts	136 874	100	130 334	100

12 Debt Securities in Issue

<i>(in millions of Russian Rubles)</i>	2011	2010
Promissory notes	6 651	5 534
Deposit certificates	205	260
Total debt securities in issue	6 856	5 794

According to the terms of issue the Bank has paid off bonds circulated on the domestic market with nominal value of RR 3000 millions in March of 2010.

13 Subordinated loans

Subordinated loans represent long-term deposits of the Bank's customers, which mature from 2011 to 2018 and bear contractual interest rate from 2.3% to 9.2% (2010: from 2.3% to 9.2%). The contractual interest rates are regularly revised in accordance with the terms of the subordinated loans agreements №7 and №9. The debt ranks after all other creditor's claims incase of liquidation. The details of subordinated loans attracted by the Bank are disclosed in the table below:

	Start date	Maturity date	Currency	2011		2010	
				Contractual interest rate, %	Nominal value, RR million	Contractual interest rate, %	Nominal value, RR million
Subordinated loan 1	May 2000	April 2011	USD	2,25	210	2,25	241
Subordinated loan 2	June 2005	June 2013	USD	5,75	285	5,75	305
Subordinated loan 3	December 2005	December 2013	USD	8,0	199	8,0	214
Subordinated loan 4	March 2006	March 2014	USD	6,5	142	6,5	153
Subordinated loan 5	May 2006	May 2014	USD	6,5	85	6,5	91
Subordinated loan 6	June 2006	June 2014	USD	6,5	142	6,5	153
Subordinated loan 7	December 2006	December 2013	USD	8,0	1 019	7,75	1 000
Subordinated loan 8	April 2007	April 2014	USD	8,0	510	7,75	500
Subordinated loan 9	July 2008	August 2018	RR	9,21	1 425	9,21	1 545
Subordinated loan 10	August 2010	August 2018	RR	8,0	85	8,0	91
Total subordinated					4 102		4 293

loans

Subordinated loans №3, 10 were received by the Bank from a related party.

14 Interest Income and Expense

<i>(in millions of Russian Rubles)</i>	3M 2011 (unaudited)	3M 2010 (unaudited)
Interest income		
Loans and advances to customers - legal entities	2 295	2 764
Loans and advances to customers - individuals	639	515
Trading securities	132	239
Correspondent accounts and due from other banks	66	105
Investment securities available for sale	13	18
Investment securities held to maturity	1	-
Total interest income	3 146	3 641
Interest expense		
Term deposits of individuals	1 231	1 428
Term deposits of legal entities	262	493
Debt securities in issue	93	129
Subordinated loans	99	93
Due to other banks	85	33
Current/settlement accounts of legal entities	12	7
Total interest expense	1 782	2 183
Net interest income	1 364	1 458

15 Fee and Commission Income and Expense

<i>(in millions of Russian Rubles)</i>	3M 2011 (unaudited)	3M 2010 (unaudited)
Fee and commission income		
Settlement transactions	293	222
Cash transactions	232	217
Credit/debit cards and cheques settlements	247	192
Payroll projects	115	117
Cash collection	54	49
Guarantees issued	62	40
Other	89	63
Total fee and commission income	1 092	900
Fee and commission expense		
Credit/debit cards and cheques settlements	70	52
Settlements with currency and stock exchanges	5	6
Settlement transactions	5	4
Cash transactions	2	3
Other	4	8
Total fee and commission expense	86	73
Net fee and commission income	1 006	827

16 Administrative and Other Operating Expenses

<i>(in millions of Russian Rubles)</i>	3M 2011 (unaudited)	3M 2010 (unaudited)
Staff costs	1 063	871
Administrative expenses	145	162
Depreciation of premises, equipment and intangible assets	122	122
Other costs related to premises, equipment and intangible assets	112	103
Contributions to the State Deposit Insurance Agency	83	68
Rent	69	60
Taxes other than income tax	58	37
Other	146	108
Total administrative and other operating expenses	1 798	1 531

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 249 million (2010: RR 171 million).

17 Segment Analysis

Operating segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) with the purpose to generate income, whose operating results are regularly reviewed by the Bank's Management Board based on management accounts prepared in accordance with Russian accounting rules in terms of each operating segment. The functions of the chief operating decision maker (CODM) are performed by the Management Board of the Bank. Operating management and performance of an operating segment are the responsibility of the Deputy Chairman of the Management Board of the Bank supervising the corresponding business line.

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM evaluates performance of each segment based on profit before tax.

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for 3 months ended 31 March 2011 and 31 December 2010.

For the purpose of preparation of the management accounts the amount of assets and liabilities is calculated as average balances for the respective accounting period.

17 Segment Analysis (continued)

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
31 March 2011							
Total assets of reportable segments	100 070	14 937	2 384	44 385	-	-	161 766
Total liabilities of reportable segments	58 227	67 923	15 456	4 896	-	1 465	147 967
31 December 2010							
Total assets of reportable segments	86 386	12 580	2 436	42 392	-	-	143 794
Total liabilities of reportable segments	50 269	60 491	14 227	3 174	-	1 519	129 680

The table below represents the information of income and expenses per reportable segments for 6 months ended 31 March 2011. The Bank's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
2011							
- Interest income	2 341	520	96	213	-	1	3 171
- Non-interest income	767	185	346	41	-	8	1 347
- Transfer income	702	1 401	60	60	363	33	2 619
Total revenues	3 810	2 106	502	314	363	42	7 137
- Interest expense	(471)	(1 220)	(12)	(43)	-	(33)	(1 779)
- Non-interest expense	(28)	-	(59)	(8)	-	(2)	(97)
- Transfer expense	(2 097)	(360)	(46)	(116)	-	-	(2 619)
Total expenses	(2 596)	(1 580)	(117)	(167)	-	(35)	(4 495)
Operating income before provision for loan impairment	1 214	526	385	147	363	7	2 642
Provision for loan impairment	(530)	(16)	4	-	-	-	(542)
Operating income	684	510	389	147	363	7	2 100
Administrative and other operating expenses	(681)	(648)	(312)	(15)	-	(11)	(1 667)
Profit/(loss) before tax (Segment result)	3	(138)	77	132	363	(4)	433

17 Segment Analysis (continued)

The reconciliation of assets, liabilities, income and expenses of the Bank's reportable segments for 9 months ended 31 March 2011.

Reconciliation of reportable segment assets

<i>(in millions of Russian Rubles)</i>	March 31, 2011 (unaudited)	December 31, 2010
Total reportable segment assets	161 776	143 794
Assets unallocated between operating segments	15 823	19 707
Interest claim	1 535	1 351
Differences in financial statements format *	(3 986)	2 080
Deviation due to recording of reportable segment assets without regard to the events after the end of the reporting period	-	(39)
Differences in fair valuation of securities	57	19
Adjustment of provisions for loan impairment based on the incurred loss model	(619)	(735)
Recognition of commission income from lending using the effective interest method	(206)	(220)
Fair valuation of instruments with non-market rates	(1)	(1)
Recognition of financial instruments using the effective interest method	211	324
Provision for impairment of inventories	(117)	(122)
Total assets	174 473	166 158

Reconciliation of reportable segment liabilities

<i>(in millions of Russian Rubles)</i>	March 31, 2011 (unaudited)	December 31, 2010
Total reportable segment liabilities	147 967	129 680
Liabilities unallocated between operating segments	1 623	1 105
Liabilities on interest payment	2 175	2 068
Differences in financial statements format *	5 550	16 473
Deviation due to recording of reportable segment liabilities without regard to the events after the end of the reporting period	-	(5)
Recognition of liabilities at amortised cost	(19)	(23)
Total liabilities	157 296	149 298

* Differences in financial statements format arise from presentation of assets and liabilities of reportable segments calculated as average balances for the reporting period for the purpose of management account preparation.

17 Segment Analysis (continued)

Reconciliation of income and expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest and expense? Non-interest income expense, provision for loan impairment? Administrative and other operating expenses) for the reportable segments with the statement on comprehensive income under IFRS for 3 months ended 31 March 2011:

<i>(in millions of Russian Rubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non interest income	Provision for loan impairment	Administrative and other operating expenses
Total reportable segment result	433	3 171	1 347	(1 779)	(97)	(542)	(1 667)
Recognition of commission income from lending using the effective interest method	13	12	1	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	8	-	8	-	-	-	-
Recognition of interest income/expense using the effective interest method	(5)	-	(2)	(3)	-	-	-
Differences in fair valuation of trading securities	40	(44)	84	-	-	-	-
Fair valuation of instruments with non-market rates	-	-	-	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	134	-	(58)	-	-	192	-
Accrued Bank's liabilities on unused vacation payments, and other	(102)	-	-	-	-	-	(102)
Differences in depreciation charge on premises and equipment and capitalised software implementation costs,	(22)	-	-	-	-	-	(22)
Recognition of financial instruments using the effective interest method	(112)	(112)	-	-	-	-	-
Reclassification of management accounts items	-	119	(166)	-	54	-	(7)
Provision for impairment of inventories	5	-	-	-	-	-	-
Other	4	-	4	-	-	-	-
Profit before tax	396	3 146	1 218	(1 782)	(43)	(350)	(1 798)

The abovementioned discrepancies arise from differences in assessment of assets and liabilities as well as in recording income and expenses under IFRS.

18 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and geographical risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Bank's annual financial report for the year ended December 31, 2009.

The tables below summarize the Bank's exposure to currency risk and Bank's liquidity position taking into account expected contractual time left before redemption of assets and liabilities.

Currency risk. The Bank is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions.

The table below summarises the Bank's exposure to currency risk at 31 March 2011:

<i>(in millions of Russian Rubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	19 564	5 438	7 957	18	32 977
Mandatory cash balances with the CBRF	1 396	-	-	-	1 396
Trading securities	10 230	4 200	294	-	14 724
Due from other banks	141	322	2	-	465
Loans and advances to customers	103 119	8 699	2 680	-	114 498
Investment securities available for sale	113	255	1 166	-	1 534
Investment securities held to maturity	176	-	-	-	176
Other financial assets	965	94	93	-	1 152
Total monetary financial assets	135 704	19 008	12 192	18	166 922
Monetary financial liabilities					
Due to other banks	3 982	1 700	2 159	-	7 841
Customer accounts	111 570	15 209	10 088	7	136 874
Debt securities in issue	6 752	49	55	-	6 856
Subordinated loans	1 530	2 572	-	-	4 102
Other financial liabilities	1 118	14	-	-	1 132
Total monetary financial liabilities	124 952	19 544	12 302	7	156 805
Net balance sheet position	10 752	(536)	(110)	11	10 117
Credit related commitment	18 588	905	1 323	-	20 816

18 Financial Risk Management (continued)

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities due to discrepancies between terms of climes on active operations and maturity of liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments.

The analyses of Bank's liquidity risk as at March 31, 2011 is as follows:

<i>(in millions of Russian Rubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	32 977	-	-	-	32 977
Mandatory cash balances with the CBRF	512	373	233	278	1 396
Trading securities	14 725	-	-	-	14 725
Due from other banks	141	1	1	322	465
Loans and advances to customers	10 809	35 121	27 759	40 809	114 498
Investment securities available for sale	442	111	1 363	58	1 974
Investment securities held to maturity	-	176	-	-	176
Other financial assets	1 152	-	-	-	1 152
Total financial assets	60 758	35 782	29 356	41 467	167 363
Liabilities					
Due to other banks	1 068	278	118	6 377	7 841
Customer accounts	51 996	35 137	21 145	28 596	136 874
Debt securities in issue	701	3 295	2 842	18	6 856
Subordinated loans	234	6	-	3 862	4 102
Other financial liabilities	1 132	-	-	-	1 132
Total financial liabilities	55 131	38 716	24 105	38 853	156 805
Net liquidity gap based on expected maturities at 31 March 2011	5 627	(2 934)	5 251	2 614	10 558
Cumulative liquidity gap at 31 March 2011	5 627	2 693	7 944	10 558	

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The expected maturity of investment securities available for sale is based on offer agreement date.

19 Contingencies and Commitments

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

19 Contingencies and Commitments (continued)

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

<i>(in millions of Russian Rubles)</i>	2011	2010
Unused limits on overdraft loans	9 321	10 497
Guarantees issued	7 779	8 987
Undrawn credit facilities	2 488	1 561
Letters of credit for payments in the Russian Federation	196	70
Import letters of credit	1 032	935
Total credit related commitments	20 816	22 050

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.