CREDIT BANK OF MOSCOW
(open joint-stock company)

Consolidated Financial Statements
for the year ended 31 December 2011

Contents

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Independent Auditors' Report

To the Management of Credit Bank of Moscow (open joint-stock company)

We have audited the accompanying consolidated financial statements of Credit Bank of Moscow (open joint-stock company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
27 March 2012

	Notes	31 December 2011 RUB'000	31 December 2010 RUB'000
Interest income	4	20 980 864	14 544 991
Interest expense	4	(12 257 202)	(8 478 432)
Net interest income	4	**8 723 662**	**6 066 559**
Provision for impairment of loans	13	(1 283 719)	(1 539 798)
Net interest income after provision for impairment		**7 439 943**	**4 526 761**
Fee and commission income	5	2 718 563	1 757 978
Net (loss) gain on financial instruments at fair value through profit or loss		(856 946)	83 474
Net realized gain on available-for-sale assets		39 994	338 527
Foreign exchange gains, net		473 386	232 039
Other operating income		182 455	181 488
Non-interest income		**2 557 452**	**2 593 506**
Salaries and employment benefits	6	(2 126 118)	(1 373 503)
Administrative expenses	6	(1 862 731)	(1 287 388)
Provision for impairment of other assets and credit related commitments	7	(247 039)	(143 438)
Depreciation of property and equipment	14	(242 048)	(178 163)
Fee and commission expense		(192 366)	(102 363)
State deposit insurance scheme contributions		(269 583)	(153 049)
Other operating expenses		(199 170)	(129 840)
Non-interest expense		**(5 139 055)**	**(3 367 744)**
Income before income taxes		**4 858 340**	**3 752 523**
Income tax	8	(972 806)	(731 147)
Net income		**3 885 534**	**3 021 376**
Other comprehensive income			
Revaluation reserve for available-for-sale securities			
- Net change in fair value		(137 169)	(780 485)
- Net change in fair value transferred to profit or loss		35 814	408 326
Income tax related to other comprehensive income		20 271	74 432
Other comprehensive loss for the period, net of tax		**(81 084)**	**(297 727)**
Comprehensive income for the period		**3 804 450**	**2 723 649**

Chairman of the Management Board — Vladimir V. Chubar

Chief Accountant — Svetlana V.Sass

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

	Notes	31 December 2011 RUB'000	31 December 2010 RUB'000
ASSETS			
Cash and cash equivalents	9	34 433 419	23 336 426
Obligatory reserves with the Central Bank of the Russian Federation		2 259 170	756 584
Due from credit institutions	10	5 301 412	586 968
Financial instruments at fair value through profit or loss	11	22 783 760	27 475 153
Available-for-sale securities	12	2 030 678	4 461 645
Loans to customers	13	159 019 821	103 852 309
Property and equipment	14	4 969 932	4 255 117
Other assets	15	1 572 561	746 441
Total assets		**232 370 753**	**165 470 643**
LIABILITIES AND EQUITY			
Deposits by credit institutions	16	24 964 128	27 863 284
Deposits by customers	17	146 690 886	95 088 028
Debt securities issued	18	31 118 869	27 251 096
Deferred tax liability	8	2 074 397	493 903
Current tax liability	8	15 870	142 237
Other liabilities	19	1 898 697	865 000
Total liabilities		**206 762 847**	**151 703 548**
Equity			
Share capital	20	11 638 088	7 138 088
Additional paid-in capital		3 699 047	162 686
Revaluation surplus for buildings		500 424	500 424
Revaluation reserve for available-for-sale securities		(53 017)	28 067
Retained earnings		9 823 364	5 937 830
Total equity		**25 607 906**	**13 767 095**
Total liabilities and equity		**232 370 753**	**165 470 643**

Commitments and Contingencies	21-23		

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

	Notes	31 December 2011 RUB'000		31 December 2010 RUB'000	
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income			**3 885 534**		**3 021 376**
out of which:					
- Interest income received		21 206 266		13 717 602	
- Interest expense paid		(11 133 384)		(7 569 069)	
- Income tax paid		(327 181)		(362 042)	
Adjustments to reconcile net income to net cash provided by operating activities:					
Provision for impairment of loans			1 283 719		1 539 798
Depreciation and amortization			242 884		180 323
Deferred tax expense			716 676		318 073
Revaluation of financial instruments at fair value through profit or loss			735 120		226 804
Provision for impairment of other assets and credit related commitments			247 039		143 438
Accrued interest income			159 472		(827 388)
Accrued interest expense			678 917		909 363
Other			301 462		(190 096)
Operating cash flows before changes in operating assets and liabilities			**8 250 823**		**5 321 691**
(Increase) decrease in operating assets					
Obligatory reserves with the Central Bank of the Russian Federation			(1 502 586)		(355 578)
Due from credit institutions			(4 478 956)		309 899
Financial instruments at fair value through profit or loss			3 735 101		(15 018 949)
Loans to customers			(55 657 388)		(47 051 333)
Other assets			(676 254)		(564 398)
Increase (decrease) in operating liabilities					
Deposits by credit institutions and the Central Bank of the Russian Federation			(3 025 179)		6 749 875
Deposits by customers			55 243 039		42 458 167
Promissory notes			(10 551 690)		12 117 623
Other liabilities			400 211		492
Net cash (used in) from operations			**(8 262 879)**		**3 967 489**
CASH FLOWS FROM INVESTING ACTIVITIES					
Net sale (purchase) of available-for-sale securities			2 395 388		(1 529 672)
Net purchase of property and equipment and intangible assets			(806 212)		(1 401 581)
Net cash from (used in) investing activities			**1 589 176**		**(2 931 253)**

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

	Notes	31 December 2011 RUB'000	31 December 2010 RUB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock		4 500 000	-
Proceeds from subordinated borrowings		982 398	6 614 638
Proceeds from syndicated borrowings		4 864 375	4 356 750
Repayment of syndicated borrowings		(5 022 958)	(892 263)
Proceeds from issuance of bonds		16 315 336	5 270 896
Repayment of bonds		(4 103 013)	(1 478 592)
Net cash from financing activities		**17 536 138**	**13 871 429**
Effect of exchange rates changes on cash and cash equivalents		234 558	(201 014)
Change in cash and cash equivalents		**11 096 993**	**14 706 651**
Cash and cash equivalents, beginning of the period		23 336 426	8 629 775
Cash and cash equivalents, end of the period	9	**34 433 419**	**23 336 426**

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

	Share capital RUB'000	Additional paid-in capital RUB'000	Revaluation surplus for buildings RUB'000	Revaluation reserve for available-for-sale securities RUB'000	Retained earnings RUB'000	Total equity RUB'000
1 January 2010	**7 138 088**	**162 686**	**500 424**	**325 794**	**2 916 454**	**11 043 446**
Total comprehensive income for the period	-	-	-	(297 727)	3 021 376	2 723 649
31 December 2010	**7 138 088**	**162 686**	**500 424**	**28 067**	**5 937 830**	**13 767 095**
Total comprehensive income for the period	-	-	-	(81 084)	3 885 534	3 804 450
Transactions with owners, recorded directly in equity						
Shares issued	4 500 000	-	-	-	-	4 500 000
Contribution from the ultimate shareholder (net of deferred tax of RUB 884 090 thousand) (note 20)	-	3 536 361	-	-	-	3 536 361
Total transactions with owners, recorded directly in equity	4 500 000	3 536 361	-	-	-	8 036 361
31 December 2011	**11 638 088**	**3 699 047**	**500 424**	**(53 017)**	**9 823 364**	**25 607 906**

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

1 Background

Principal activities

These consolidated financial statements include the financial statements of CREDIT BANK OF MOSCOW (open joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a closed joint-stock company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint-stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation, granted on 20 January 2000. In December 2004 the Bank was admitted to the Central Bank of Russia program for individual deposit insurance. The Bank is among the 25 largest banks in Russia by assets and runs its business in Moscow and the Moscow region with a branch network comprising 60 branches, and ATMs and payment terminals totaling 604 and 4014 items, respectively.

The principal subsidiaries of the Group are as follows:

				Degree of control, %	
Name	**Date of incorporation**	**Country of incorporation**	**Principal activities**	**31 December 2011**	**31 December 2010**
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 Sep 2005	Russia	Finance leasing	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries noted above. CBOM Finance p.l.c. was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance loans to the Bank. MKB-Invest and MKB-Leasing are controlled by the Group through option agreements.

Shareholders

The Group is wholly-owned by Concern Rossium (the Shareholder Group). The sole shareholder of Concern Rossium is Roman I. Avdeev, who is also member of the Supervisory Board of the Bank. The members of the Supervisory Board are as follows:

Supervisory Board	
Sandy Vaci	Chairman
Richard Damien Glasspool	Member
Genadi Lewinski	Member
Mustafa Boran	Member
Roman I. Avdeev	Member
Alexander N. Nikolashin	Member
Anton R. Avdeev	Member
Nikolay V. Kosarev	Member
Vladimir A. Chubar	Member

Related party transactions are detailed in note 25.

Russian business environment

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

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial securities are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - note 13
- building revaluation estimates - note 14.

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied by the Group entities to all periods presented in these consolidated financial statements. Future changes in accounting policies are described at the end of this note.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities

The Bank established a special purpose entity (SPE) for execution of borrowing transactions. The Bank does not have any direct or indirect shareholdings in this entity. However, the SPE is established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to its operations and net assets are presently attributable to the Bank via a number of agreements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group considers cash and nostro accounts with the Central Bank of the Russian Federation, and due from credit institutions with maturity of less than one month to be cash and cash equivalents. The minimum reserve deposit with the Central Bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method

- held-to-maturity investments which are measured at amortized cost using the effective interest method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

Amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits by credit institutions. The difference between the sale and repurchase prices represents interest expense and is recognized in the profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within due from credit institutions. The difference between the purchase and resale prices represents interest income and is recognized in the profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

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

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised as other comprehensive income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	50
Furniture and other property	6
Computers and office equipment	4
Vehicles	5

When a building is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the profit or loss and cannot be reversed.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably. Financial guarantee liabilities and allowance for credit related commitments are included in other liabilities.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service has been provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment, and assess its performance, and for which discrete financial information is available.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial position or performance.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

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

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

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

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

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

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	31 December 2011 RUB'000	31 December 2010 RUB'000
Interest income		
Loans to customers	17 790 664	11 868 667
Financial instruments at fair value through profit or loss and available-for-sale securities	2 892 224	2 626 061
Due from credit institutions and the Central Bank of the Russian Federation	297 976	50 263
	20 980 864	**14 544 991**
Interest expense		
Deposits by customers	(8 249 337)	(5 446 181)
Debt securities issued	(2 717 073)	(2 179 243)
Deposits by credit institutions and the Central Bank of the Russian Federation	(1 290 792)	(853 008)
	(12 257 202)	**(8 478 432)**
Net interest income	**8 723 662**	**6 066 559**

5 Fee and commission income

	31 December 2011 RUB'000	31 December 2010 RUB'000
Settlements and wire transfers	764 428	458 847
Cash collection delivery	750 537	549 536
Guarantees and letters of credit	533 983	492 866
Plastic cards	273 704	116 925
Insurance contracts processing	213 063	-
Other cash operations	104 558	77 280
Other	78 290	62 524
Fee and commission income	**2 718 563**	**1 757 978**

6 Salaries, employment benefits and administrative expenses

	31 December 2011 RUB'000	31 December 2010 RUB'000
Salaries	1 701 338	1 143 744
Social security costs	402 778	216 439
Other	22 002	13 320
Salaries and employment benefits	**2 126 118**	**1 373 503**
Occupancy	580 825	332 191
Advertising and business development	413 006	261 149
Operating taxes	368 852	290 234
Security	159 485	123 726
Property maintenance	147 781	77 378
Communications	49 433	59 827
Computer maintenance and software expenses	43 027	43 310
Transport	42 331	40 335
Other	57 991	59 238
Administrative expenses	**1 862 731**	**1 287 388**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the statement of comprehensive income in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

7 Provision for impairment of other assets and credit related commitments

	31 December 2011 RUB'000	31 December 2010 RUB'000
Provision for impairment of credit related commitments	223 978	96 830
Provision for impairment of other assets	23 061	46 608
	247 039	**143 438**

8 Income tax

	31 December 2011 RUB'000	31 December 2010 RUB'000
Current tax charge	256 131	413 074
Deferred taxation	716 675	318 073
Income tax expense	**972 806**	**731 147**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The income tax rate for the Bank is 20% (2010: 20%).

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Income before tax	4 858 340	3 752 523
Applicable statutory tax rate	20%	20%
Income tax using the applicable tax rate	971 668	750 505
Income taxed at lower rate	(46 071)	(30 307)
Net non-deductible costs	47 209	10 949
Income tax expense	**972 806**	**731 147**

Income tax liabilities are recorded in the consolidated statement of financial position as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Current tax liability	15 870	142 237
Deferred tax liability	2 074 397	493 903
Income tax liability	**2 090 267**	**636 140**

Movements in temporary differences during the years ended 31 December 2011 and 2010 are presented as follows.

RUB'000	Balance 1 January 2011	Recognised in profit or loss	Recognised in equity	Balance 31 December 2011
Due from credit institutions	(1 585)	(4 187)	-	(5 772)
Financial instruments at fair value through profit or loss	55 383	(65 036)	-	(9 653)
Available-for-sale securities	(1 385)	23 881	(20 271)	2 225
Loans to customers	251 334	581 014	-	832 348
Property and equipment	234 144	31 662	-	265 806
Other assets	(7 518)	8 191	-	673
Deposits by credit institutions	29 301	(6 709)	-	22 592
Deposits by customers	-	(7 226)	884 090	876 864
Debt securities issued	1 798	22 758	-	24 556
Other liabilities	(67 569)	132 327	-	64 758
	493 903	**716 675**	**863 819**	**2 074 397**

RUB'000	Balance 1 January 2010	Recognised in profit or loss	Recognised in equity	Balance 31 December 2010
Due from credit institutions	(3 249)	1 664	-	(1 585)
Financial instruments at fair value through profit or loss	137 604	(82 221)	-	55 383
Available-for-sale securities	23 919	49 128	(74 432)	(1 385)
Loans to customers	(116 751)	368 085	-	251 334
Property and equipment	189 075	45 069	-	234 144
Other assets	(1 417)	(6 101)	-	(7 518)
Deposits by credit institutions	3 704	25 597	-	29 301
Debt securities issued	(6 839)	8 637	-	1 798
Other liabilities	24 216	(91 785)	-	(67 569)
	250 262	**318 073**	**(74 432)**	**493 903**

Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income comprise:

	2011			2010		
RUB'000	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Revaluation reserve for available-for-sale securities	(101 355)	20 271	(81 084)	(372 159)	74 432	(297 727)
Other comprehensive income	**(101 355)**	**20 271**	**(81 084)**	**(372 159)**	**74 432**	**(297 727)**

9 Cash and cash equivalents

	31 December 2011 RUB'000	31 December 2010 RUB'000
Cash on hand	7 235 147	3 894 457
Correspondent account with the Central Bank of the Russian Federation	7 369 693	9 563 916
Nostro accounts with other banks		
rated AAA	-	644
rated from AA+ to AA-	844 958	947 472
rated from A+ to A-	697 121	61 884
rated BBB	-	443 966
rated from BBB+ to BBB-	1 876 423	-
rated from BB+ to BB-	5 504	4 008
rated from B+ to B-	183 608	112 262
not rated	1 719 034	585 818
Total nostro accounts with other banks	**5 326 648**	**2 156 054**
Due from credit institutions with maturity of less than 1 month		
rated from AA+ to AA-	1 337 973	458 512
rated A- to A+	-	24 410
rated BBB	-	2 968 673
rated from BBB+ to BBB-	9 729 891	-
rated from BB- to BB+	-	727 633
rated from B+ to B-	1 932 050	1 713 940
not rated	1 502 017	1 828 831
Total due from credit institutions with maturity of less than 1 month	**14 501 931**	**7 721 999**
Total cash and cash equivalents	**34 433 419**	**23 336 426**

Ratings are based on Standard & Poor's rating system.

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

The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and was available for withdrawal at period end.

Settlements with the stock exchange are included in not rated nostro accounts in the amount of RUB 1 271 352 thousand as at 31 December 2011 (31 December 2010: RUB 535 604 thousand).

As at 31 December 2011 not rated due from credit institutions with maturity of less than 1 month includes term deposits secured by highly liquid debt securities under agreements to resell (reverse repo) in the amount of RUB 1 103 927 thousand (31 December 2010: RUB 1 783 806 thousand).

As at 31 December 2011 there are no balances that individually exceed 10% of total cash and cash equivalents (31 December 2010: one counterparty, with the gross value of these facilities RUB 3 184 487 thousand) .

Information about the currency and maturity of cash and cash equivalents is presented in note 28.

10 Due from credit institutions

	31 December 2011 RUB'000	31 December 2010 RUB'000
Term deposits		
rated from AA+ to AA-	-	201 666
rated from A+ to A-	30 586	-
rated from BBB+ to BBB-	2 841 567	-
rated from B+ to B-	1 620 332	235 302
not rated	808 927	150 000
Total due from credit institutions	**5 301 412**	**586 968**

As at 31 December 2011 the Group had three counterparties (31 December 2010: three) whose deposit balances exceed 10% of total due from credit institutions. The gross value of these facilities as at 31 December 2011 is RUB 5 270 826 thousand (31 December 2010: RUB 586 968 thousand).

Information about the currency and maturity and effective interest rates on amounts due from credit institutions is presented in note 28.

11 Financial instruments at fair value through profit or loss

	31 December 2011 RUB'000	31 December 2010 RUB'000
Held by the Bank		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	9 286 846	-
Moscow Government bonds	927 144	425 309
Regional authorities and municipal bonds	372 780	787 634
Russian Government Eurobonds	1 789 318	2 059 403
Corporate bonds		
from BBB+ to BBB-	4 007 920	1 377 171
from BB+ to BB-	2 101 783	1 479 989
from B+ to B-	3 213 814	7 159 838
from CCC+ to CCC-	52 618	-
not rated	1 031 514	2 502 079
Equity investments	23	-
Total financial instruments at fair value through profit or loss held by the Bank	**22 783 760**	**15 791 423**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	-	6 960 112
Moscow Government bonds	-	803 035
Regional authorities and municipal bonds	-	44 566
Corporate bonds		
from BBB+ to BBB-	-	1 544 220
from BB+ to BB-	-	1 493 081
from B+ to B-	-	838 716
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	-	**11 683 730**
Total financial instruments at fair value through profit or loss	**22 783 760**	**27 475 153**

As at 31 December 2011 debt instruments in the amount of RUB 20 225 639 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2010: RUB 24 153 390 thousand).

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 31 December 2011 and 2010 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resulting unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in other assets, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	2011 RUB'000	2010 RUB'000	2011	2010
Buy USD sell RUB				
Less than 3 months	9 606 535	2 158 199	31.9154	30.3972
Buy RUB sell USD				
Less than 3 months	-	239 769	-	30.4645
Buy EUR sell USD				
Less than 3 months	-	602 317	-	1.3230
Buy EUR sell RUB				
Less than 3 months	-	344 596	-	39.9440
	9 606 535	**3 344 881**		

12 Available-for-sale securities

	31 December 2011 RUB'000	31 December 2010 RUB'000
Held by the Bank		
Government and municipal bonds		
Regional authorities and municipal bonds	10 277	17 140
Corporate bonds		
from BBB+ to BBB-	410 734	147 373
from BB+ to BB-	385 133	915 370
from B+ to B-	1 017 580	2 655 298
not rated	179 948	465 186
Equity investments	27 006	59 799
Total available-for-sale securities held by the Bank	**2 030 678**	**4 260 166**

	31 December 2011 RUB'000	31 December 2010 RUB'000
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	-	50 529
Corporate bonds		
from BBB+ to BBB-	-	33 523
from B+ to B-	-	117 427
Total available-for-sale securities pledged under sale and repurchase agreements	**-**	**201 479**
Total available-for-sale securities	**2 030 678**	**4 461 645**

As at 31 December 2011 debt instruments in the amount of RUB 371 884 thousand are qualified to be pledged against borrowings from the Central Bank of the Russian Federation (31 December 2010: RUB 2 436 745 thousand).

13 Loans to customers

	31 December 2011 RUB'000	31 December 2011 RUB'000	31 December 2010 RUB'000	31 December 2010 RUB'000
	Loans	**Impairment allowance**	**Loans**	**Impairment allowance**
Loans to corporate clients	**132 844 258**	**(2 624 407)**	**88 317 606**	**(1 990 001)**
Loans to individuals				
Auto loans	6 175 018	(23 778)	5 478 500	(87 657)
Mortgage loans	7 661 002	(261 229)	7 641 432	(430 242)
Other loans to individuals	16 021 975	(773 018)	5 207 880	(285 209)
Total loans to individuals	**29 857 995**	**(1 058 025)**	**18 327 812**	**(803 108)**
Gross loans to customers	**162 702 253**	**(3 682 432)**	**106 645 418**	**(2 793 109)**
Net loans to customers	**159 019 821**		**103 852 309**	

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 31 December 2011:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to customers				
- Not past due	160 099 212	(2 566 290)	157 532 922	1.6%
- Overdue less than 31 days	355 052	(71 237)	283 815	20.1%
- Overdue 31-60 days	350 478	(111 034)	239 444	31.7%
- Overdue 61-90 days	132 488	(68 061)	64 427	51.4%
- Overdue 91-180 days	911 837	(285 716)	626 121	31.3%
- Overdue 181-360 days	307 977	(229 514)	78 463	74.5%
- Overdue more than 360 days	545 209	(350 580)	194 629	64.3%
Total loans to customers	**162 702 253**	**(3 682 432)**	**159 019 821**	**2.3%**

The following table provides information on credit quality of the loan portfolio as at 31 December 2010:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to customers				
- Not past due	104 463 388	(1 662 364)	102 801 024	1.6%
- Overdue less than 31 days	357 274	(41 642)	315 632	11.7%
- Overdue 31-60 days	78 384	(27 312)	51 072	34.8%
- Overdue 61-90 days	118 576	(42 282)	76 294	35.7%
- Overdue 91-180 days	242 943	(120 561)	122 382	49.6%
- Overdue 181-360 days	286 708	(191 925)	94 783	66.9%
- Overdue more than 360 days	1 098 145	(707 023)	391 122	64.4%
Total loans to customers	**106 645 418**	**(2 793 109)**	**103 852 309**	**2.6%**

As at 31 December 2011, the loan portfolio includes loans that have been restructured and would otherwise be past due or impaired in the amount of RUB 904 633 thousand (31 December 2010: RUB 1 247 175 thousand). Such restructuring activity is aimed at managing customer relationships and maximizing the quality of the loan portfolio. Restructured loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

The following table provides information on restructured loans as at 31 December 2011 and 31 December 2010:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Restructured loans				
- As at 31 December 2011	904 633	(48 185)	856 448	5.3%
- As at 31 December 2010	1 247 175	(86 135)	1 161 040	6.9%

As at 31 December 2011, the gross amount of overdue loans with payments that are overdue at least one day totals RUB 2 603 041 thousand, which represents 1.6% of the loan portfolio (31 December 2010: RUB 2 182 030 thousand and 2.0%, respectively).

Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 1 765 023 thousand or 1.2% of the loan portfolio (31 December 2010: RUB 1 627 796 thousand and 1.5%, respectively).

NPLs together with restructured loans amount to RUB 2 669 656 thousand or 1.6% of the loan portfolio (31 December 2010: RUB 2 874 971 thousand and 2.7%, respectively).

As at 31 December 2011, the ratio of total impairment allowance to overdue loans equals 141.5%, the ratio of total impairment allowance to NPLs equals 208.6% and the ratio of total impairment allowance to NPLs together with restructured loans equals 137.9% (31 December 2010: 128.0%, 171.6% and 97.2%, respectively).

Movements in the loan impairment allowance for the years ended 31 December 2011 and 31 December 2010 are as follows:

	2011 RUB'000	2010 RUB'000
Balance at the beginning of the period	2 793 109	1 824 201
Net charge	1 283 719	1 539 798
Net write-offs	(394 396)	(570 890)
Balance at the end of the period	**3 682 432**	**2 793 109**

As at 31 December 2011, interest accrued on overdue loans amounts to RUB 232 214 thousand (31 December 2010: RUB 385 673 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 December 2011:

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to corporate clients				
- Not past due	132 187 233	(2 459 881)	129 727 352	1.9%
- Overdue less than 31 days	48 560	(22 774)	25 786	46.9%
- Overdue 31-60 days	130 641	(54 930)	75 711	42.0%
- Overdue 61-90 days	2 616	(826)	1 790	31.6%
- Overdue 91-180 days*	405 492	(21 128)	384 364	5.2%
- Overdue 181-360 days	22 599	(19 506)	3 093	86.3%
- Overdue more than 360 days	47 117	(45 362)	1 755	96.3%
Total loans to corporate clients	**132 844 258**	**(2 624 407)**	**130 219 851**	**2.0%**

* Included in overdue loans to corporate clients for 91-180 days is a loan in the amount of RUB 403 127 thousand with liquid real estate collateral. The Group estimates loan impairment for this loan based on an analysis of future cash flows from the collateral.

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Loans to corporate clients				
- Not past due	87 733 857	(1 597 527)	86 136 330	1.8%
- Overdue less than 31 days	119 781	(16 689)	103 092	13.9%
- Overdue 31-60 days	9 993	(3 796)	6 197	38.0%
- Overdue 61-90 days	19 427	(9 008)	10 419	46.4%
- Overdue 91-180 days	40 310	(21 419)	18 891	53.1%
- Overdue 181-360 days	159 452	(117 458)	41 994	73.7%
- Overdue more than 360 days	234 786	(224 104)	10 682	95.5%
Total loans to corporate clients	**88 317 606**	**(1 990 001)**	**86 327 605**	**2.3%**

The Bank estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its past loss experience adjusted for recent changes in the economic environment for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management, generally, assumes a discount of 20-50 percent to its fair value, depending on type of collateral and market conditions.

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance, as of 31 December 2011, would increase/decrease by RUB 1 302 199 thousand (31 December 2010: RUB 863 276 thousand).

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transactions: real estate (manufacturing premises, warehouses), machinery and equipment, motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes.

Loans to corporate customers that are past due or impaired

Impaired or overdue loans to corporate customers are secured by collateral with a fair value of RUB 581 065 thousand (2010: RUB 555 195 thousand), excluding the effect of overcollateralization.

As of 31 December 2011 the Group plans to recover a portion of impaired lease contracts with a gross amount of RUB 15 715 thousand (31 December 2010: RUB 19 646 thousand) through the sale of collateral with a fair value of RUB 12 099 thousand (31 December 2010: RUB 9 455 thousand).

Loans to corporate customers that are neither past due or impaired

For loans to corporate customers with a net carrying amount of RUB 129 727 352 thousand (2010: RUB 86 136 330 thousand), which are neither past due or impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

Collateral obtained

During the year ended 31 December 2011, the Group obtained certain assets by taking possession of collateral for loans to corporate customers. As at 31 December 2011, the carrying amount of such assets was RUB 95 321 thousand (2010: RUB 68 812 thousand). The Group's policy is to sell these assets as soon as it is practicable.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the years ended 31 December are as follows:

	2011 RUB'000	2010 RUB'000
Balance at the beginning of the period	1 990 001	1 003 134
Net charge	866 943	1 237 765
Net write-offs	(232 537)	(250 898)
Balance at the end of the period	**2 624 407**	**1 990 001**

Credit quality of loans to individuals

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Auto loans				
- Not past due	6 097 845	(2 515)	6 095 330	0.0%
- Overdue less than 31 days	29 710	(1 551)	28 159	5.2%
- Overdue 31-60 days	9 312	(1 297)	8 015	13.9%
- Overdue 61-90 days	10 388	(2 194)	8 194	21.1%
- Overdue 91-180 days	10 691	(3 696)	6 995	34.6%
- Overdue 181-360 days	10 383	(6 317)	4 066	60.8%
- Overdue more than 360 days	6 689	(6 208)	481	92.8%
Total auto loans	**6 175 018**	**(23 778)**	**6 151 240**	**0.4%**
Mortgage loans				
- Not past due	6 975 596	(25 571)	6 950 025	0.4%
- Overdue less than 31 days	46 368	(42)	46 326	0.1%
- Overdue 31-60 days	93 765	(2 935)	90 830	3.1%
- Overdue 61-90 days	3 795	-	3 795	0.0%
- Overdue 91-180 days	117 849	(9 098)	108 751	7.7%
- Overdue 181-360 days	16 312	(3 340)	12 972	20.5%
- Overdue more than 360 days	407 317	(220 243)	187 074	54.1%
Total mortgage loans	**7 661 002**	**(261 229)**	**7 399 773**	**3.4%**

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Other loans to individuals				
- Not past due	14 838 538	(78 323)	14 760 215	0.5%
- Overdue less than 31 days	230 414	(46 870)	183 544	20.3%
- Overdue 31-60 days	116 760	(51 872)	64 888	44.4%
- Overdue 61-90 days	115 689	(65 041)	50 648	56.2%
- Overdue 91-180 days	377 805	(251 794)	126 011	66.6%
- Overdue 181-360 days	258 683	(200 351)	58 332	77.5%
- Overdue more than 360 days	84 086	(78 767)	5 319	93.7%
Total other loans to individuals	**16 021 975**	**(773 018)**	**15 248 957**	**4.8%**
Total loans to individuals	**29 857 995**	**(1 058 025)**	**28 799 970**	**3.5%**

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment to gross loans %
Auto loans				
- Not past due	5 360 587	(12 314)	5 348 273	0.2%
- Overdue less than 31 days	23 274	(3 312)	19 962	14.2%
- Overdue 31-60 days	8 512	(2 349)	6 163	27.6%
- Overdue 61-90 days	9 193	(3 679)	5 514	40.0%
- Overdue 91-180 days	14 554	(7 713)	6 841	53.0%
- Overdue 181-360 days	14 166	(11 168)	2 998	78.8%
- Overdue more than 360 days	48 214	(47 122)	1 092	97.7%
Total auto loans	**5 478 500**	**(87 657)**	**5 390 843**	**1.6%**
Mortgage loans				
- Not past due	6 566 886	(6 028)	6 560 858	0.1%
- Overdue less than 31 days	121 582	(129)	121 453	0.1%
- Overdue 31-60 days	15 905	(343)	15 562	2.2%
- Overdue 61-90 days	42 573	(1 570)	41 003	3.7%
- Overdue 91-180 days	60 238	(2 861)	57 377	4.8%
- Overdue 181-360 days	54 675	(16 737)	37 938	30.6%
- Overdue more than 360 days	779 573	(402 574)	376 999	51.6%
Total mortgage loans	**7 641 432**	**(430 242)**	**7 211 190**	**5.6%**
Other loans to individuals				
- Not past due	4 802 058	(46 495)	4 755 563	1.0%
- Overdue less than 31 days	92 637	(21 512)	71 125	23.2%
- Overdue 31-60 days	43 974	(20 824)	23 150	47.4%
- Overdue 61-90 days	47 383	(28 025)	19 358	59.1%
- Overdue 91-180 days	127 841	(88 568)	39 273	69.3%
- Overdue 181-360 days	58 415	(46 562)	11 853	79.7%
- Overdue more than 360 days	35 572	(33 223)	2 349	93.4%
Total other loans to individuals	**5 207 880**	**(285 209)**	**4 922 671**	**5.5%**
Total loans to individuals	**18 327 812**	**(803 108)**	**17 524 704**	**4.4%**

Management estimates loan impairment based on historical loss experience for these types of loans using historical loss migration patterns for the past twenty four months and fair value of collateral. The significant assumptions used by management in determining the impairment losses for loans to individuals include:

- the Group can sell auto loans and other loans to individuals overdue more than 360 days for 6.2 % and 4.1 % of their gross amounts, respectively
- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months
- in respect of mortgage loans, a delay of 18 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 20% to the originally appraised value if the property pledged is sold through court procedures. For impaired loans where the fair value of collateral is equal to at least 150% of the outstanding mortgage loan balance, management eliminates the impairment allowance that would otherwise result from the migration analysis.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance, as of 31 December 2011, would increase/decrease by RUB 288 000 thousand (31 December 2010: RUB 175 247 thousand).

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying car. Credit card overdrafts and consumer loans are not secured.

Management does not estimate loan impairment based on analysis of fair value of collateral. However once a loan becomes impaired, management considers the fair value of collateral when assessing the impairment allowance for each individual loan.

As of 31 December 2011 impaired mortgage loans in the amount of RUB 685 406 thousand are secured by a collateral with a fair value of RUB 586 475 thousand. As of 31 December 2011, the Group estimates the fair value of private real estate undergoing foreclosure to be RUB 36 396 thousand (31 December 2010: RUB 300 902 thousand).

Management believes that it is impracticable to estimate the fair value of collateral held in respect of auto loans.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2011 are as follows:

	Auto loans RUB'000	Mortgage loans RUB'000	Other loans to individuals RUB'000	Total RUB'000
Balance at the beginning of the period	87 657	430 242	285 209	803 108
Net (reversal) charge	(32 353)	(169 013)	618 142	416 776
Net write-offs	(31 526)	-	(130 333)	(161 859)
Balance at the end of the period	**23 778**	**261 229**	**773 018**	**1 058 025**

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2010 are as follows:

	Auto loans RUB'000	Mortgage loans RUB'000	Other loans to individuals RUB'000	Total RUB'000
Balance at the beginning of the period	139 619	362 826	318 622	821 067
Net charge	8 625	90 238	203 170	302 033
Net write-offs	(60 587)	(22 822)	(236 583)	(319 992)
Balance at the end of the period	**87 657**	**430 242**	**285 209**	**803 108**

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Loans to individuals	29 857 995	18 327 812
Food and farm products	20 956 404	7 881 881
Consumer electronics, appliances and computers	18 459 411	13 135 208
Residential and commercial construction and development	12 119 200	7 167 974
Construction and decorative materials, furniture	10 813 405	6 643 890
Clothing, shoes, textiles and sporting goods	9 149 182	6 320 591
Industrial equipment and machinery	8 318 855	4 946 366
Property rental	8 164 457	5 650 503
Pharmaceutical and medical products	6 099 881	1 390 506
Automotive, motorcycles and spare parts	5 396 030	3 431 007
Services	4 809 991	2 720 873
Equipment leasing	4 443 980	4 031 825
Consumer chemicals, perfumes and hygiene products	4 023 559	4 578 510
Paper, stationery and packaging products	4 001 577	3 014 739
Metallurgical	3 681 045	3 203 615
Oil and industrial chemicals	3 182 725	2 918 276
Industrial and infrastructure construction	1 510 690	773 780
Financial	1 424 049	5 895 633
Telecommunications	1 340 167	1 531 982
Gardening and pet products	942 175	516 667
Books, video, print and copy	526 557	310 410
Electric utility	-	498 302
Products for home, gifts, jewelry and business accessories	408 239	346 555
Other	3 072 679	1 408 513
	162 702 253	**106 645 418**
Impairment allowance	(3 682 432)	(2 793 109)
	159 019 821	**103 852 309**

Finance lease

Finance lease receivables included in loans to customers are as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Gross investment in finance lease	4 565 174	1 776 992
Unearned interest income	(991 063)	(391 230)
Net investment in finance lease before allowance	**3 574 111**	**1 385 762**
Impairment allowance	(84 971)	(310 522)
Net investment in finance lease	**3 489 140**	**1 075 240**

The contractual maturity of the net investment in leases is as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Less than 1 year	1 400 740	630 110
Between 1 and 5 years	1 688 791	442 093
More than 5 years	9	3 037
	3 089 540	**1 075 240**

Loan maturities

The maturity of the loan portfolio is presented in note 28.

14 Property and equipment

The movement in property and equipment for the year ended 31 December 2011 is presented in the table below:

RUB'000	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2011	2 216 926	146 259	86 192	747 310	1 498 854	**4 695 541**
Additions	13 526	127 772	175 447	394 858	259 108	**970 711**
Disposals	-	(18 140)	(2 268)	(28 471)	-	**(48 879)**
At 31 December 2011	**2 230 452**	**255 891**	**259 371**	**1 113 697**	**1 757 962**	**5 617 373**
Accumulated depreciation						
At 1 January 2011	96 053	48 540	50 823	245 008	-	**440 424**
Depreciation charge	45 295	37 107	29 602	130 044	-	**242 048**
Disposals		(17 415)	(1 515)	(16 101)	-	**(35 031)**
At 31 December 2011	**141 348**	**68 232**	**78 910**	**358 951**	-	**647 441**
Carrying value						
At 31 December 2011	**2 089 104**	**187 659**	**180 461**	**754 746**	**1 757 962**	**4 969 932**

The movement in property and equipment for the year ended 31 December 2010 is presented in the table below:

RUB'000	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Total
Cost/revalued amount						
At 1 January 2010	2 215 029	101 912	64 511	526 051	21 311	**2 928 814**
Additions	1 897	66 811	22 235	277 871	1 477 543	**1 846 357**
Disposals	-	(22 464)	(554)	(56 612)	-	**(79 630)**
At 31 December 2010	**2 216 926**	**146 259**	**86 192**	**747 310**	**1 498 854**	**4 695 541**
Accumulated depreciation						
At 1 January 2010	42 026	43 195	39 848	187 327	-	**312 396**
Depreciation charge	54 027	21 402	11 529	91 205	-	**178 163**
Disposals	-	(16 057)	(554)	(33 524)	-	**(50 135)**
At 31 December 2010	**96 053**	**48 540**	**50 823**	**245 008**	**-**	**440 424**
Carrying value						
At 31 December 2010	**2 120 873**	**97 719**	**35 369**	**502 302**	**1 498 854**	**4 255 117**

Revalued assets

At 31 December 2009 buildings were revalued based on the results of an independent appraisal performed by OOO "MEF-Audit". The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar buildings.

As at 31 December 2011 management determined that the fair value of buildings was consistent with the value obtained in 2009, and accordingly, no adjustments to fair value were made.

The carrying value of buildings as of 31 December 2011, if the buildings would not have been revalued, would be RUB 1 499 193 thousand (31 December 2010: RUB 1 517 587 thousand).

15 Other assets

	31 December 2011 RUB'000	31 December 2010 RUB'000
Receivables	759 249	469 950
Property held for sale	167 244	66 271
Prepaid expenses	165 279	88 444
Current income tax receivable	118 596	16
Intangibles	73 962	4 677
Other	288 231	117 083
Total other assets	**1 572 561**	**746 441**

16 Deposits by credit institutions

	31 December 2011 RUB'000	31 December 2010 RUB'000
Demand deposits	64 496	53 986
Term deposits	18 168 718	10 194 233
Syndicated loans	5 421 197	5 213 680
Payables under repurchase agreements	-	11 166 555
Subordinated debt	1 309 717	1 234 830
Total deposits by credit institutions	**24 964 128**	**27 863 284**

Syndicated loans represent loans denominated in USD with effective interest rates ranging from 3.4% to 5.5% (31 December 2010: from 3.8% to 5.2%) and maturity from 2012 to 2015 (31 December 2010: from 2011 to 2015).

Subordinated debt represents loans denominated in USD with effective interest rates ranging from 6.0% to 9.4% (31 December 2010: 5.7% to 8.5%) and maturity from 2015 to 2017 (31 December 2010: 2015 to 2017).

The Group shall observe certain covenants attached to syndicated loans and subordinated debt from International Finance Corporation, European Bank for Reconstruction and Development and BLACK SEA TRADE AND DEVELOPMENT BANK. As at 31 December 2011 and 2010, the Group fully meets all covenants of the loan agreements.

Information about the currency and maturity and effective interest rates on deposits by credit institutions is presented in note 28.

Concentrations of deposits by credit institutions

As at 31 December 2011 the Group has two counterparties (31 December 2010: three) whose deposits balance exceed 10% of deposits by credit institutions. The gross value of these facilities as at 31 December 2011 is RUB 8 900 996 thousand (31 December 2010: RUB 14 388 231 thousand).

17 Deposits by customers

		31 December 2011 RUB'000	31 December 2010 RUB'000
Corporate customers	Demand	17 838 871	11 142 438
	Term	34 843 029	25 630 335
	Subordinated	2 745 236	6 057 760
	Term notes	5 894 492	1 532 248
Total corporate customers		**61 321 628**	**44 362 781**
Individuals	Demand	4 842 326	2 839 841
	Term	80 526 932	47 885 406
Total individuals		**85 369 258**	**50 725 247**
Total deposits by customers		**146 690 886**	**95 088 028**

Concentrations of deposits by customers

As of 31 December 2011 and 2010, there are no demand or term deposits from customers that individually exceed 10% of total customer accounts.

Information about the currency and maturity and effective interest rates on deposits by customers is presented in note 28.

18 Debt securities issued

	31 December 2011 RUB'000	31 December 2010 RUB'000
Promissory notes issued at nominal value	6 789 426	16 307 223
Accrued interest	32 768	215 005
Unamortized discount on promissory notes	(304 874)	(412 355)
	6 517 320	**16 109 873**
Bonds issued	24 601 549	11 141 223
	31 118 869	**27 251 096**

Bondholders are entitled to demand early redemption of bonds at their nominal value. The next date on which bondholders can demand redemption is July 2012. In note 28 bonds are presented on the early redemption option dates.

RUB denominated bonds issue 05 (31 December 2011: RUB 1 682 876 thousand) was issued in April 2009 with a fixed coupon rate of 15% for the first year. The coupon rate for the six month period was reset in October 2011 at 7.4% until the final maturity date of 25 April 2012.

RUB denominated bonds issue 06 (31 December 2011: RUB 2 013 542 thousand) was issued in August 2009 with a fixed coupon rate of 16% for the first year. The coupon rate for the six month period was reset in August 2011 at 9.4% until the final maturity date of 7 August 2012.

RUB denominated bonds issue 07 (31 December 2011: RUB 2 049 005 thousand) was issued in July 2010 with a fixed coupon rate of 9.76% for the first 2 years. The Bank sets the coupon rate for each subsequent six month period until the final maturity date of 14 July 2015.

RUB denominated bonds issue 08 (31 December 2011: RUB 1 540 542 thousand) was issued in April 2010 with a fixed coupon rate of 9.7% for the first 1.5 years. The Bank sets the coupon rate for each subsequent six month period until the final maturity date of 8 April 2015. The coupon rate for the six month period was reset in October 2011 at 9.0% until April 2012.

RUB denominated bonds issue BO-01 (31 December 2011: RUB 2 585 541 thousand) was issued in February 2011 with a fixed coupon rate of 8.5% for the first 2 years. The Bank sets the coupon rate for each subsequent six month period until the final maturity date of 22 February 2014.

RUB denominated bonds issue BO-04 (31 December 2011: RUB 3 819 034 thousand) was issued in April 2011 with a fixed coupon rate of 8.0% for the first 1.5 years. The Bank sets the coupon rate for each subsequent six month period until the final maturity date of 15 April 2014.

RUB denominated bonds issue BO-05 (31 December 2011: RUB 4 494 877 thousand) was issued in June 2011 with a fixed coupon rate of 9.2% for each six month period until the final maturity date of 23 June 2014.

USD denominated Eurobonds issue (31 December 2011: RUB 6 416 132 thousand) was issued in July 2011 with a fixed coupon rate of 8.25% for each six month period until the final maturity date of 5 August 2014.

Information about the currency and maturity and effective interest rates on debt securities issued is presented in note 28.

19 Other liabilities

	31 December 2011 RUB'000	31 December 2010 RUB'000
Allowance for credit related commitments	484 397	260 419
Cash collection payables	397 693	152 366
Payables to suppliers	347 725	198 981
Deferred income	225 985	69 714
Operating taxes payable	97 944	59 253
Payables to Deposit Insurance Agency	80 119	45 231
Other	264 834	79 036
Total other liabilities	**1 898 697**	**865 000**

20 Share capital

Share capital consists of ordinary shares and was contributed by the shareholder in Roubles. The shareholder is entitled to dividends and capital distributions. Issued, outstanding and paid share capital comprises 10 776 158 008 shares (31 December 2010: 6 276 158 008 shares) with par value of 1 RUB per share. In July 2011 the Central Bank of the Russian Federation registered the Bank's share capital increase in the amount of RUB 4 500 000 000. The total hyperinflation adjustment, related to equity as at 31 December 2002, was RUB 861 930 thousand.

Due to the fact that interest rates applicable to subordinated loans from the owner of the Bank are substantially lower than the market rates, the Bank converted part of these subordinated loans in the amount of RUB 3 536 361 thousand (net of deferred tax of RUB 884 090 thousand) into additional paid-in-capital. This additional paid-in capital represents tier 1 capital according to the Basel Capital Accord.

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of the reporting date, retained earnings available for distribution amount to RUB 695 720 thousand (2010: RUB 1 254 331 thousand).

21 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31 December 2011 RUB'000	31 December 2010 RUB'000
Guarantees and letters of credit	29 869 161	15 419 408
Undrawn loan commitments	1 079 727	503 892
Other contingent liabilities	214 784	-
	31 163 672	**15 923 300**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

22 Operating leases

Leases as lessee

Future minimum lease payments on non-cancellable lease agreements are as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Less than 1 year	227 407	128 331
Between 1 and 5 years	247 167	174 282
More than 5 years	214 929	102 328
	689 503	**404 941**

23 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

24 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

25 Related party transactions

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

	31 December 2011		31 December 2010	
	Amount RUB'000	Average effective interest rate	Amount RUB'000	Average effective interest rate
Loans to customers				
Ultimate shareholder	70 208	12.0%	308 765	11.4%
Under control of ultimate shareholder	87 138	12.0%	333 697	10.0%
Management	43 977	10.7%	39 529	10.7%
Total loans	**201 323**		**681 991**	
Deposits by customers				
Ultimate shareholder	31 993	3.9%	51 069	10.4%
Parent company	250 896	8.3%	5 489	8.1%
Under control of ultimate shareholder	2 909 463	7.9%	6 310 867	6.3%
Management	35 481	7.6%	17 913	9.8%
Total deposits	**3 227 833**		**6 385 338**	

Amounts included in the consolidated statement of comprehensive income for the year ended 31 December in relation to transactions with related parties are as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Interest income on loans to customers		
Ultimate shareholder	34 236	12 244
Under control of ultimate shareholder	38 956	17 377
Management	4 786	2 980
Total interest income on loans to customers	**77 978**	**32 601**
Interest expense on deposits by customers		
Ultimate shareholder	459	18 692
Under control of ultimate shareholder	166 694	49 890
Management	1 716	1 523
Parent company	31 743	922
Total interest expense on deposits by customers	**200 612**	**71 027**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the year ended 31 December (refer to note 6) is as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Members of the Supervisory Board	3 957	2 315
Members of the Management Board	45 596	39 373
	49 553	**41 688**

26 Capital management

The Central Bank of the Russian Federation sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of the Russian Federation, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2011, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2011 and 2010.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December:

	31 December 2011 RUB'000	31 December 2010 RUB'000
Tier 1 capital		
Share capital and additional paid-in capital	15 337 135	7 300 774
Retained earnings	9 823 364	5 937 830
Total tier 1 capital	**25 160 499**	**13 238 604**
Tier 2 capital		
Revaluation surplus for buildings	500 424	500 424
Revaluation reserve for investments available-for-sale	(53 017)	28 067
Subordinated loans		
Subordinated loan from EBRD	482 942	579 061
Subordinated loan from BLACK SEA TRADE AND DEVELOPMENT BANK	643 922	609 538
Subordinated loans from WELLCREEK CORPORATION	2 745 236	6 000 000
Less limitation of subordinated capital to 50% of tier 1	-	(569 297)
Total tier 2 capital	**4 319 507**	**7 147 793**
Total capital	**29 480 006**	**20 386 397**
Risk-weighted assets		
Banking book	184 090 083	119 410 805
Trading book	21 012 847	30 390 992
Total risk weighted assets	**205 102 930**	**149 801 797**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**14.4**	**13.6**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**12.3**	**8.8**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. The Group complied with all externally imposed capital requirements during the years ended 31 December 2011 and 2010.

27 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the First deputy of the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guaranties, corporate deposit taking, settlements and money transfer, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including consumer loans, car loans and mortgages, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- International business: comprises borrowings from international financial institutions and trade finance operations
- Cash collection and other cash operations: comprise all operations connected with cash, cash collection, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the First deputy of the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The segment breakdown of assets and liabilities is set out below:

	31 December 2011 RUB'000	31 December 2010 RUB'000
ASSETS		
Corporate banking	131 168 702	86 675 635
Retail banking	30 110 289	17 933 259
Treasury	57 314 123	51 965 735
Cash operations	7 235 146	3 894 457
Unallocated assets	6 542 493	5 001 557
Total assets	**232 370 753**	**165 470 643**
LIABILITIES		
Corporate banking	61 321 627	42 830533
Retail banking	85 369 257	50 725 247
Treasury	31 243 275	44 551 898
International business	24 839 723	12 094 730
Unallocated liabilities	3 988 965	1 501 140
Total liabilities	**206 762 847**	**151 703 548**

Segment information for the main reportable segments for the year ended 31 December 2011 is set below:

RUB'000	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	13 475 361	4 440 110	3 065 393	-	-	-	20 980 864
Fee and commission income	1 123 736	796 771	4 970	-	793 086	-	2 718 563
Net loss on securities	-	-	(816 952)	-	-	-	(816 952)
Net foreign exchange income	241 975	28 178	203 233	-	-	-	473 386
Other income	80 985	90 430	11 040	-	-	-	182 455
(Expenses) revenue from other segments	(4 554 527)	3 868 990	(468 876)	1 136 386	18 027	-	-
Revenue	**10 367 530**	**9 224 479**	**1 998 808**	**1 136 386**	**811 113**	-	**23 538 316**
Impairment losses on loans	(866 943)	(416 776)	-	-	-	-	(1 283 719)
Interest expense	(2 317 426)	(6 172 591)	(3 226 993)	(540 192)	-	-	(12 257 202)
Fee and commission expense	(7 601)	(43 439)	(65 792)	(74 999)	(535)	-	(192 366)
General administrative and other expenses	(500 947)	(2 275 176)	(105 956)	(21 211)	(712 453)	(1 330 946)	(4 946 689)
Income (loss) before income taxes	**6 674 613**	**316 497**	**(1 399 933)**	**499 984**	**98 125**	**(1 330 946)**	**4 858 340**
Income tax						(972 806)	(972 806)
Segment result	**6 674 613**	**316 497**	**(1 399 933)**	**499 984**	**98 125**	**(2 303 752)**	**3 885 534**

Segment information for the main reportable segments for the year ended 31 December 2010 is set below:

RUB'000	**Corporate banking**	**Retail banking**	**Treasury**	**International business**	**Cash operations**	**Unallocated**	**Total**
External interest income	9 639 922	2 688 915	2 216 154	-	-	-	14 544 991
Fee and commission income	877 965	296 619	11 865	-	571 529	-	1 757 978
Net gain on securities	-	-	422 001	-	-	-	422 001
Net foreign exchange income (loss)	233 088	31 098	(32 147)	-	-	-	232 039
Other income (expenses)	72 036	109 821	(369)	-	-	-	181 488
(Expenses) revenue from other segments	(4 162 192)	2 577 642	610 021	953 725	20 804	-	-
Revenue	**6 660 819**	**5 704 095**	**3 227 525**	**953 725**	**592 333**	**-**	**17 138 497**
Impairment losses on loans	(1 237 765)	(302 033)	-	-	-	-	(1 539 798)
Interest expense	(1 395 715)	(4 426 918)	(2 459 924)	(195 875)	-	-	(8 478 432)
Fee and commission expense	(12 525)	(34 076)	(32 173)	(23 344)	(245)	-	(102 363)
General administrative and other expenses	(358 596)	(1 351 148)	(75 672)	(8 740)	(495 255)	(975 970)	(3 265 381)
Income (loss) before income taxes	**3 656 218**	**(410 080)**	**659 756**	**725 766**	**96 833**	**(975 970)**	**3 752 523**
Income tax	-	-	-	-	-	(731 147)	(731 147)
Segment result	**3 656 218**	**(410 080)**	**659 756**	**725 766**	**96 833**	**(1 707 117)**	**3 021 376**

28 Risk management

Management of risk is fundamental to the banking business and is an essential element of operations. The main risks inherent in the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for recognised and unrecognised exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Lending Department, which is responsible for the corporate loan portfolio. Credit reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Division's Credit Risk Management Department and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Corporate Lending Division and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists of the Collateral Evaluation and Monitoring Service, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and borrowers' credit worthiness evaluation procedures and verification procedures developed together with the Risk Division.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Division with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk in relation to assets recognized at the reporting date is as follows:

	31 December 2011 RUB'000	31 December 2010 RUB'000
ASSETS		
Cash and cash equivalents	27 198 272	19 441 969
Obligatory reserves with the Central Bank of the Russian Federation	2 259 170	756 584
Due from credit institutions	5 301 412	586 968
Financial instruments at fair value through profit or loss	22 783 737	27 475 153
Available-for-sale securities	2 003 672	4 401 846
Loans to customers	159 019 821	103 852 309
Other assets	870 522	479 138
Total maximum exposure to credit risk on statement of financial position	**219 436 606**	**156 993 967**

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

The maximum exposure to credit risk in relation to guarantees and commitments at the reporting date is presented in note 21.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group established an Operational Risk Unit as a part of the Internal Control Department. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of Internal Control Department on important developments and issues. The Head of Internal Control Department reports directly to the Supervisory Board.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are: (i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand; (ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; (iii) long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The Bank was in compliance with these ratios during the years ended 31 December 2011 and 2010.

The following table as at 31 December 2011 shows the undiscounted cash flows from financial liabilities on the basis of their contractual maturity. These expected cash flows can vary significantly from the actual future cash flows.

Foreign currency payments are translated using the spot exchange rate at the reporting date.

31 December 2011	**Less than 1 month RUB'000**	**1 to 6 months RUB'000**	**6 months to 1 year RUB'000**	**Over 1 year RUB'000**	**Total RUB'000**
LIABILITIES					
Deposits by credit institutions	2 244 927	5 084 321	11 146 691	8 097 348	**26 573 287**
Deposits by customers	43 222 843	43 141 677	35 265 353	36 520 146	**158 150 019**
Debt securities issued	1 979 301	5 370 272	10 955 480	16 274 938	**34 579 991**
Total potential future payments for financial obligations as at 31 December 2011	**47 447 071**	**53 596 270**	**57 367 524**	**60 892 432**	**219 303 297**
Guarantees and letters of credit	1 020 402	13 841 576	7 126 078	7 881 105	**29 869 161**
Credit related commitments	1 079 727	-	-	-	**1 079 727**

31 December 2010	**Less than 1 month RUB'000**	**1 to 6 months RUB'000**	**6 months to 1 year RUB'000**	**Over 1 year RUB'000**	**Total RUB'000**
LIABILITIES					
Deposits by credit institutions	12 755 231	4 951 238	6 671 004	4 672 006	**29 049 479**
Deposits by customers	22 350 904	28 234 189	18 688 821	31 793 379	**101 067 293**
Debt securities issued	1 571 491	7 675 117	12 525 993	8 799 614	**30 572 215**
Total potential future payments for financial obligations as at 31 December 2010	**36 677 626**	**40 860 544**	**37 885 818**	**45 264 999**	**160 688 987**
Guarantees and letters of credit	690 760	10 442 552	3 631 970	654 126	**15 419 408**
Credit related commitments	503 892	-	-	-	**503 892**

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Management considers term deposits from individuals to be a stable source of funding based on the past experience, thus classifiing them in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

	2011 RUB'000	2010 RUB'000
Demand and less than 1 month	5 040 073	3 145 962
From 1 to 6 months	32 490 657	20 702 151
From 6 to 12 months	23 931 570	16 083 299
More than 1 year	19 064 632	7 953 994
	80 526 932	**47 885 406**

The following tables show all assets and liabilities as at 31 December 2011 and 2010 by their remaining contractual maturities, including term deposits with individuals, with the exception of securities included in financial instruments at fair value through profit or loss and available-for-sale securities that qualify as collateral for borrowing from the Central Bank of the Russian Federation as collateral for its loans. Such securities are shown in the category "Less than 1 month" as management believes they are liquid assets which can be sold quickly in response to liquidity needs, if necessary. The amounts shown here represent carrying amounts on the reporting dates and do not include cash flows associated with future interest and coupon payments.

As at 31 December 2011 and 2010 the contractual maturities of all securities included in financial instruments at fair value through profit or loss and available-for-sale securities were as follows:

31 December 2011	**Less than 1 month RUB'000**	**1 to 6 months RUB'000**	**6 months to 1 year RUB'000**	**1 to 3 years RUB'000**	**3 to 5 years RUB'000**	**Over 5 years RUB'000**	**No maturity RUB'000**	**Total RUB'000**
Financial instruments at fair value through profit or loss	-	1 598 664	961 248	7 629 243	6 547 877	6 046 705	23	**22 783 760**
Available-for-sale securities	-	197 250	528 167	625 001	103 079	550 175	27 006	**2 030 678**

31 December 2010	**Less than 1 month RUB'000**	**1 to 6 months RUB'000**	**6 months to 1 year RUB'000**	**1 to 3 years RUB'000**	**3 to 5 years RUB'000**	**Over 5 years RUB'000**	**No maturity RUB'000**	**Total RUB'000**
Financial instruments at fair value through profit or loss	-	3 211 012	4 104 788	8 560 974	9 536 426	2 061 953	-	**27 475 153**
Available-for-sale securities	-	729 542	777 134	2 266 619	525 147	103 404	59 799	**4 461 645**

31 December 2011	Less than 1 month RUB'000	1 to 3 months RUB'000	3 to 6 months RUB'000	6 to 9 months RUB'000	9 months to 1 year RUB'000	1 to 2 years RUB'000	2 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Overdue RUB'000	Total RUB'000
ASSETS												
Cash and cash equivalents	34 433 419	-	-	-	-	-	-	-	-	-	-	34 433 419
Obligatory reserves with the Central Bank of the Russian Federation	-	-	-	-	-	-	-	-	-	2 259 170	-	2 259 170
Due from credit institutions	-	5 270 826	30 586	-	-	-	-	-	-	-	-	5 301 412
Financial instruments at fair value through profit or loss	20 225 992	-	559 346	79 191	350 998	177 323	689 737	701 150	-	23	-	22 783 760
Available-for-sale securities	371 885	-	51 626	419 739	98 150	515 525	-	103 079	443 668	27 006	-	2 030 678
Loans to customers	12 292 527	27 454 499	32 353 751	12 361 218	15 868 355	22 021 814	14 764 676	13 852 822	6 563 260	-	1 486 899	159 019 821
Property and equipment	-	-	-	-	-	-	-	-	-	4 969 932	-	4 969 932
Other assets	376 104	475 110	271 558	167 749	39 439	942	452	-	-	241 207	-	1 572 561
	67 699 927	33 200 435	33 266 867	13 027 897	16 356 942	22 715 604	15 454 865	14 657 051	7 006 928	7 497 338	1 486 899	232 370 753
LIABILITIES												
Deposits by credit institutions	2 239 428	2 191 591	2 839 045	4 450 240	6 315 653	3 525 359	897 906	1 904 128	600 778	-	-	24 964 128
Deposits by customers	43 158 216	18 528 125	23 602 385	17 195 828	15 970 309	9 135 332	14 092 833	2 262 622	2 745 236	-	-	146 690 886
Debt securities issued	1 875 939	1 623 996	3 014 127	4 977 035	5 364 688	2 591 335	11 664 500	6 559	690	-	-	31 118 869
Income tax liability	15 870	-	-	-	-	-	-	-	-	2 074 397	-	2 090 267
Other liabilities	748 221	267 234	84 297	108 365	60 228	96 393	121	-	-	533 838	-	1 898 697
	48 037 674	22 610 946	29 539 854	26 731 468	27 710 878	15 348 419	26 655 360	4 173 309	3 346 704	2 608 235	-	206 762 847
Net position	19 662 253	10 589 489	3 727 013	(13 703 571)	(11 353 936)	7 367 185	(11 200 495)	10 483 742	3 660 224	4 889 103	1 486 899	25 607 906
Accumulated gap	19 662 253	30 251 742	33 978 755	20 275 184	8 921 248	16 288 433	5 087 938	15 571 680	19 231 904	24 121 007	25 607 906	

31 December 2010

	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	1 to 3 years RUB'000	3 to 5 years RUB'000	Over 5 years RUB'000	No maturity RUB'000	Overdue RUB'000	Total RUB'000
ASSETS									
Cash and cash equivalents	23 336 426	-	-	-	-	-	-	-	23 336 426
Obligatory reserves with the Central Bank of the Russian Federation	-	-	-	-	-	-	756 584	-	756 584
Due from credit institutions	-	436 968	150 000	-	-	-	-	-	586 968
Financial instruments at fair value through profit or loss	24 153 390	582 640	708 848	851 524	1 178 751	-	-	-	27 475 153
Available-for-sale securities	2 436 745	-	310 803	1 094 020	525 147	35 131	59 799	-	4 461 645
Loans to customers	5 991 701	34 496 158	23 184 002	25 715 433	8 580 143	4 833 587	-	1 051 285	103 852 309
Property and equipment	-	-	-	-	-	-	4 255 117	-	4 255 117
Other assets	164 058	166 952	245 111	74 220	12 554	-	83 546	-	746 441
	56 082 320	**35 682 718**	**24 598 764**	**27 735 197**	**10 296 595**	**4 868 718**	**5 155 046**	**1 051 285**	**165 470 643**
LIABILITIES									
Deposits by credit institutions	12 740 236	4 859 385	6 504 503	1 959 843	1 189 779	609 538	-	-	27 863 284
Deposits by customers	22 674 633	28 062 409	19 431 717	15 022 786	3 838 723	6 057 760	-	-	95 088 028
Debt securities issued	1 140 658	7 291 566	10 860 363	7 958 509	-	-	-	-	27 251 096
Income tax liability	142 237	-	-	-	-	-	493 903	-	636 140
Other liabilities	319 510	110 673	103 946	-	-	-	330 871	-	865 000
	37 017 274	**40 324 033**	**36 900 529**	**24 941 138**	**5 028 502**	**6 667 298**	**824 774**	-	**151 703 548**
Net position	**19 065 046**	**(4 641 315)**	**(12 301 765)**	**2 794 059**	**5 268 093**	**(1 798 580)**	**4 330 272**	**1 051 285**	**13 767 095**
Accumulated gap	**19 065 046**	**14 423 731**	**2 121 966**	**4 916 025**	**10 184 118**	**8 385 538**	**12 715 810**	**13 767 095**	

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate currency and equity financial instruments which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters hilst optimizing the return on risk.

Overall authority for market risk is vested in ALCO which is chaired by the Chairman of the Management Board. Market risk limits are approved by ALCO based on recommendations of the Risk Division's Financial Risk Management Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board and/or ALCO.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The table below summarises the exposure to interest rate risks. The table presents the aggregated amounts of financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Less than 1 month RUB'000	1 to 6 months RUB'000	6 months to 1 year RUB'000	Over 1 year RUB'000	Overdue RUB'000	Total RUB'000
31 December 2011						
Interest-bearing assets	25 742 936	66 905 576	29 718 988	78 704 652	1 486 900	**202 559 052**
Interest-bearing liabilities	23 680 936	51 799 268	54 273 753	49 427 278	-	**179 181 235**
Net interest sensitivity gap as at 31 December 2011	**2 062 000**	**15 106 308**	**(24 554 765)**	**29 277 374**	**1 486 900**	**23 377 817**
31 December 2010						
Interest-bearing assets	40 303 835	35 515 766	24 353 653	42 813 737	1 051 285	**144 038 276**
Interest-bearing liabilities	18 519 259	40 213 360	36 796 583	40 636 938	-	**136 166 140**
Net interest sensitivity gap as at 31 December 2010	**21 784 576**	**(4 697 594)**	**(12 442 930)**	**2 176 799**	**1 051 285**	**7 872 136**

An analysis of sensitivity of profit or loss and equity to changes in market interest rates based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	2011		2010	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
100 bp parallel rise	57 164	57 164	152 662	152 662
100 bp parallel fall	(57 164)	(57 164)	(152 662)	(152 662)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2011		2010	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
100 bp parallel rise	(363 888)	(392 369)	(526 594)	(585 445)
100 bp parallel fall	363 888	392 369	526 594	585 445

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2011 and a simplified scenario of a 10% change in USD to Russian Rouble exchange rates is as follows:

	2011	
	Profit or loss RUB'000	**Equity RUB'000**
10% appreciation of USD against RUB	(6 468)	(6 468)
10% depreciation of USD against RUB	6 468	6 468

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2010 and a simplified scenario of a 10% change in USD to Russian Rouble exchange rates is as follows:

	2010	
	Profit or loss RUB'000	**Equity RUB'000**
10% appreciation of USD against RUB	(38 093)	(38 093)
10% depreciation of USD against RUB	38 093	38 093

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 5% change in all securities prices is as follows:

	2011		2010	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
5% increase in securities prices	-	1 080	-	2 392
5% decrease in securities prices	-	(1 080)	-	(2 392)

Interest rate analysis

The interest rate policy is reviewed and approved by ALCO. The average effective interest rates for interest bearing financial instruments are as follows:

	31 December 2011			31 December 2010		
	USD	RUB	Other foreign currencies	USD	RUB	Other foreign currencies
Interest bearing assets						
Cash and cash equivalents	-	5.7%	-	0.7%	3.9%	1.2%
Due from credit institutions	3.2%	9.0%	3.0%	6.2%	6.0%	-
Financial instruments at fair value through profit or loss – government bonds	5.9%	7.9%	-	5.4%	6.9%	-
Financial instruments at fair value through profit or loss – corporate notes and municipal bonds	-	10.1%	-	-	8.3%	-
Available-for-sale securities – government bonds	-	-	-	-	6.4%	-
Available-for-sale securities – corporate notes and municipal bonds	8.8%	11.3%	-	9.7%	9.9%	-
Loans to customers	9.2%	12.5%	9.6%	11.6%	14.0%	11.9%
Interest bearing liabilities						
Deposits by credit institutions	4.0%	7.6%	3.3%	4.1%	4.8%	2.3%
- Syndicated loans	3.9%	-	-	4.0%	-	-
- Subordinated debt	7.7%	-	-	7.1%	-	-
Term deposits by customers	5.9%	9.3%	6.3%	7.5%	9.7%	7.4%
Debt securities issued	8.3%	8.7%	5.2%	3.6%	7.1%	4.7%

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Supervisory Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The exposure of assets and liabilities to foreign currency exchange rate risk is as follows:

	31 December 2011				31 December 2010			
	USD RUB'000	RUB RUB'000	Other currencies RUB'000	Total RUB'000	USD RUB'000	RUB RUB'000	Other currencies RUB'000	Total RUB'000
ASSETS								
Cash and cash equivalents	2 853 889	28 513 466	3 066 064	**34 433 419**	1 887 758	17 550 107	3 898 561	**23 336 426**
Obligatory reserves with the Central Bank of the Russian Federation	-	2 259 170	-	**2 259 170**	-	756 584	-	**756 584**
Due from credit institutions	3 262 873	1 620 332	418 207	**5 301 412**	235 303	150 000	201 665	**586 968**
Financial instruments at fair value through profit or loss	1 789 318	20 994 442	-	**22 783 760**	2 059 403	25 415 750	-	**27 475 153**
Available-for-sale securities	546 748	1 483 930	-	**2 030 678**	127 883	4 333 762	-	**4 461 645**
Loans to customers	18 186 054	132 935 173	7 898 594	**159 019 821**	13 853 038	84 589 069	5 410 202	**103 852 309**
Property and equipment	-	4 969 932	-	**4 969 932**	-	4 255 117	-	**4 255 117**
Other assets	38 388	1 494 063	40 110	**1 572 561**	75 648	668 208	2 585	**746 441**
	26 677 270	**194 270 508**	**11 422 975**	**232 370 753**	**18 239 033**	**137 718 597**	**9 513 013**	**165 470 643**

	31 December 2011				31 December 2010			
	USD RUB'000	RUB RUB'000	Other currencies RUB'000	Total RUB'000	USD RUB'000	RUB RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES								
Deposits by credit institutions	16 752 464	6 504 539	1 707 125	**24 964 128**	10 978 350	15 463 943	1 420 991	**27 863 284**
Deposits by customers	12 883 207	123 628 785	10 178 894	**146 690 886**	8 341 260	77 625 812	9 120 956	**95 088 028**
Debt securities issued	6 700 568	24 407 370	10 931	**31 118 869**	702 440	26 377 351	171 305	**27 251 096**
Income tax liability	-	2 090 267	-	**2 090 267**	-	636 140	-	**636 140**
Other liabilities	28 413	1 840 441	29 843	**1 898 697**	9 263	853 417	2 320	**865 000**
	36 364 652	**158 471 402**	**11 926 793**	**206 762 847**	**20 031 313**	**120 956 663**	**10 715 572**	**151 703 548**
Net position before hedging	**(9 687 382)**	**35 799 106**	**(503 818)**	**25 607 906**	**(1 792 280)**	**16 761 934**	**(1 202 559)**	**13 767 095**
Spot contracts	9 606 635	(9 606 635)	-	-	1 316 113	(2 263 026)	946 913	-
Net position	**(80 747)**	**26 192 471**	**(503 818)**	**25 607 906**	**(476 167)**	**14 498 908**	**(255 646)**	**13 767 095**

Geographical risk

The geographical risk is the risk due to political economic or social instability in the respective country.

The geographical concentration of financial assets and liabilities as at 31 December 2011 and 2010 is disclosed in the table below:

	31 December 2011				31 December 2010			
	Russia RUB'000	OECD RUB'000	Other non-OECD RUB'000	Total RUB'000	Russia RUB'000	OECD RUB'000	Other non-OECD RUB'000	Total RUB'000
ASSETS								
Cash and cash equivalents	29 860 525	4 567 963	4 931	**34 433 419**	18 020 750	5 314 349	1 327	**23 336 426**
Obligatory reserves with the Central Bank of the Russian Federation	2 259 170	-	-	**2 259 170**	756 584	-	-	**756 584**
Due from credit institutions	1 620 331	3 681 081	-	**5 301 412**	385 303	201 665	-	**586 968**
Financial instruments at fair value through profit or loss	22 783 760	-	-	**22 783 760**	27 321 018	-	154 135	**27 475 153**
Available-for-sale securities	2 030 678	-	-	**2 030 678**	4 461 645	-	-	**4 461 645**
Loans to customers	153 650 417	4 236 030	1 133 374	**159 019 821**	103 401 019	451 290	-	**103 852 309**
	212 204 881	**12 485 074**	**1 138 305**	**225 828 260**	**154 346 319**	**5 967 304**	**155 462**	**160 469 085**
LIABILITIES								
Deposits by credit institutions	6 540 537	18 413 350	10 241	**24 964 128**	15 768 554	12 094 730	-	**27 863 284**
Deposits by customers	140 648 047	333 081	5 709 758	**146 690 886**	87 288 843	302 939	7 496 246	**95 088 028**
Debt securities issued	28 183 391	2 501 684	433 794	**31 118 869**	27 136 318	1 770	113 008	**27 251 096**
	175 371 975	**21 248 115**	**6 153 793**	**202 773 883**	**130 193 715**	**12 399 439**	**7 609 254**	**150 202 408**
Net position	**36 832 906**	**(8 763 041)**	**(5 015 488)**	**23 054 377**	**24 152 604**	**(6 432 135)**	**(7 453 792)**	**10 266 677**

29 Fair value of financial instruments

For financial instruments whose fair value is estimated by using active market data the fair value represents quoted market prices at the reporting date without any deduction for transaction costs. The estimated fair values of all other financial assets (except for cash on hand) and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The following table provides an analysis of financial assets and liabilities for which the discounted cash flow techniques are used to estimate their fair value:

	2011 RUB'000	2011 RUB'000	2010 RUB'000	2010 RUB'000
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
ASSETS				
Cash and cash equivalents	34 433 419	34 433 419	23 336 426	23 336 426
Obligatory reserves with the Central Bank of the Russian Federation	2 259 170	2 259 170	756 584	756 584
Due from credit institutions	5 301 412	5 301 412	586 968	586 968
Loans to customers	159 499 028	159 019 821	104 521 779	103 852 309
LIABILITIES				
Deposits by credit institutions	24 964 128	24 964 128	27 863 284	27 863 284
Deposits by customers	147 245 274	146 690 886	95 234 842	95 088 028
Debt securities issued	31 118 869	31 118 869	28 970 940	27 251 096

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

As disclosed in note 29, the fair value of unquoted equity securities available-for-sale with a carrying value of RUB 27 006 thousand can not be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 11.8% (roubles) and 8.0 % (foreign currency) are used for discounting future cash flows from corporate loans
- discount rates of 14.6% (roubles) and 12.6 % (foreign currency) are used for discounting future cash flows from loans to retail customers
- discount rates of 9.5% (roubles) and 5.5% (foreign currency) are used for discounting future cash flows from retail deposits.

Fair value hierarchy

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

The following table shows an analysis of financial instruments recorded at fair value for which fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2011:

	Level 1 Quoted market prices RUB'000	Level 2 Valuation techniques based on market observable inputs RUB'000	Total RUB'000
Financial assets at fair value through profit or loss	22 515 445	268 315	**22 783 760**
Available-for-sale securities	1 342 130	688 548	**2 030 678**

The following table shows an analysis of financial instruments recorded at fair value whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2010:

	Level 1 Quoted market prices RUB'000	Level 2 Valuation techniques based on market observable inputs RUB'000	Total RUB'000
Financial assets at fair value through profit or loss	27 245 376	229 777	**27 475 153**
Available-for-sale securities	4 310 667	150 978	**4 461 645**

During 2011 there were no transfers of financial instruments between Level 1 and Level 2.

As at 31 December 2011 and 2010 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of unobservable inputs.

30 Events subsequent to the reporting date

In January 2012 the Bank paid out the third coupon in the amount of RUB 97.34 million or RUB 48.67 per bond on domestic bonds series 07. The issue was placed on 20 July 2010 in the amount of RUB 2 billion with a maturity of 5 years.

In January 2012 the Bank repaid US$ 10 million 5-year credit line granted for financing of small and medium-sized enterprises by the European Bank for Reconstruction and Development.

In January 2012 international rating agency Standard and Poor's assigned to the Bank 'B+' long-term and 'B' short-term counterparty credit and 'ruA+' Russia national scale ratings, with a stable outlook.

In February 2012 the following major changes in the management structure of the Bank took place: Chairman of the Management Board of CREDIT BANK OF MOSCOW Alexander Nikolashin became the Bank's President and First Deputy Chairman of the Management Board Vladimir Chubar became Chairman of the Management Board.

In February 2012 the Bank paid out the fifth coupon in the amount of RUB 93.74 million or RUB 46.87 per bond on domestic bonds series 06. The issue was placed on 11 August 2009 in the amount of RUB 2 billion with a maturity of 3 years.

In February 2012 the Bank paid out the second coupon in the amount of RUB 128.55 million or RUB 42.85 per bond on domestic bonds series BO-01. The issue was placed on 22 February 2011 in the amount of RUB 3 billion with a maturity of 3 years.