

BANK VOZROZHDENIE

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

31 March 2012

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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of financial position as at March 31, 2012

(in millions of Russian Rubles)

1USD = 29,3282 Russian Ruble as at 31 March 2012

1USD = 32,1961 Russian Ruble as at 31 December 2011

March 31, 2012 **December 31, 2011**
(unaudited)

ASSETS

Cash and cash equivalents	26 668	37 755
Mandatory cash balances with the Central Bank of the Russian Federation	1 981	1 939
Trading securities held to maturity	11 097	7 347
Due from other banks	370	967
Loans and advances to customers	130 631	124 383
Investment securities available for sale	2 622	1 377
Premises, equipment and intangible assets	3 090	3 048
Other financial assets	1 080	1 254
Long-term investments held for sale	976	975
Other assets	4 559	4 843

TOTAL ASSETS

183 074

183 888

LIABILITIES

Due to other banks	7 426	8 202
Customer accounts	142 969	145 142
Debt securities in issue	8 217	6 722
Subordinated loans	3 954	4 217
Other financial liabilities	871	588
Other liabilities	634	555

TOTAL LIABILITIES

164 071

165 426

SHAREHOLDERS' EQUITY

Share capital	250	250
Share premium	7 306	7 306
Retained earnings	11 333	10 807
Other reserves/funds	114	99

TOTAL SHAREHOLDERS' EQUITY

19 003

18 462

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

183 074

183 888

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on March 31, 2012

(in millions of Russian Rubles) 1USD = 31,8751 Russian Ruble as at 30 September 2011 1USD = 30,4030 Russian Ruble as at 30 September 2010	3M 2012 (unaudited)	3M 2011 (unaudited)
Interest income	3 769	3 146
Interest expense	(1 620)	(1 782)
Net interest income	2 149	1 364
Provision for loan impairment	(358)	(350)
Net interest income after provision for loan impairment	1 791	1 014
Fee and commission income	1 218	1 092
Fee and commission expense	(92)	(86)
(Losses less gains)/ Gains less losses arising from trading securities	(8)	43
Income less losses from trading in foreign currencies	112	104
Foreign exchange translation losses less gains	(28)	(38)
Gains less losses from disposals of investment securities available for sale	4	-
Other operating income	47	60
Administrative and other operating expenses	(2 042)	(1 798)
Provision for impairment of other assets	(313)	5
Profit before tax	689	396
Income tax expense	(163)	(79)
PROFIT FOR THE REPORTING PERIOD	526	317
Other comprehensive income:		
Available-for-sale investments:		
Gains less losses arising during the year (losses less gains)	8	(10)
Income tax recorded directly in other comprehensive income	7	10
Other comprehensive income for the year	15	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	541	317
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RUB per share)		
Ordinary shares	21	13

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on March 31, 2012

	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2011	250	7 306	95	10 807	18 462
Profit for 3M ended March, 31 2012	-	-	-	526	526
Other comprehensive income	-	-	15	-	15
Total comprehensive income for 2012	-	-	15	526	541
Dividends declared	-	-	-	-	-
Balance at March 31, 2012	250	7 306	114	11 333	19 003
	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2010	250	7 306	77	9 227	16 860
Profit for 3M ended March, 31 2011	-	-	-	317	317
Other comprehensive income	-	-	-	-	-
Total comprehensive income for 2011	-	-	-	317	317
Dividends declared	-	-	-	-	-
Balance at March 31, 2011	250	7 306	77	9 544	17 177

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Cash Flows for the period ended on March 31, 2012

<i>(in millions of Russian Rubles)</i>	3M 2012 (unaudited)	3M 2011 (unaudited)
Cash flows from operating activities		
Interest received	3 485	3 030
Interest paid	(1 642)	(1 829)
Fees and commissions received	1 209	1 083
Fees and commissions paid	(92)	(86)
Net loss/income received from trading securities	(3)	5
Net income received from trading in foreign currencies	113	104
Other operating income received	44	22
Administrative and other operating expenses paid	(1 717)	(1 673)
Income tax paid	(296)	(195)
Cash flows from operating activities before changes in operating assets and liabilities	1 101	461
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(42)	(324)
Net increase in trading securities	(3 739)	(2 792)
Net decrease in due from other banks	560	5 372
Net increase in loans and advances to customers	(7 814)	(11 464)
Net decrease in other financial assets	152	446
Net decrease in other assets	177	126
Net (decrease) / increase in due to other banks	(438)	185
Net increase in customer accounts	222	7 774
Net increase in debt securities in issue	1 438	1 070
Net increase in other financial liabilities	284	513
Net decrease in other liabilities	(120)	(25)
Net cash from (used in) operating activities	(8 219)	1 342
Cash flows from investing activities		
Acquisition of investment securities available for sale	(1 471)	(15)
Proceeds from disposal of investment securities available for sale	61	59
Acquisition of investment securities held to maturity	-	(175)
Acquisition of fixed and intangible assets	(194)	(54)
Proceeds from disposal of fixed and intangible assets	7	-
Proceeds from disposal of investment property	20	181
Proceeds from disposal of long term assets available for sale	9	20
Net cash from (used in) investing activities	(1 568)	16
Effect of exchange rate changes on cash and cash equivalents	(1 300)	(532)
Net (decrease) / increase in cash and cash equivalents	(11 087)	826
Cash and cash equivalents at the beginning of the year	37 755	32 151
Cash and cash equivalents at the end of the financial period	26 668	32 977

1 Introduction

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IAS) 34 "Interim financial statements" (the IFRS (IAS) 34) for three months ended March 31, 2012 for Bank Vozrozhdenie ("Bank") and its special-purpose entity, closed joint stock company "Ipotechny Agent Vozrozhdenie 1" (together referred to as the "Group").

Presentation currency: these financial statements are presented in millions of Russian Rubles ("RR millions") The official CBRF exchange rate was applied for reevaluation of balances on FX accounts, which is as of March 30, 2012 comprised RR29.2853, as of December 31, 2011 - RR32.1961, and as of March 31, 2011 – RR28.4290 per one USD and relatively RR39.0402, RR41.6714 and RR40.0223 per one EUR.

2 Principles of accounting policies, critical accounting estimates and judgments

This interim financial statement is to be considered along with Group's annual financial statements for the year ended December 31, 2011.

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

Principles and methods of accounting policy applied in this interim financial statement comply with the principles and methods applied and described in the Group's annual Financial Statement for the year ended December 31, 2011.

Judgments made by the Group's management applying accounting policy comply with the judgments described in the Bank's annual Financial Statement for 2011. The Group's Management didn't apply any new estimates and judgments. As a result of applying estimates and judgments described in the Group's financial statements for the year ended December 31, 2011 the Group's assets, revenues and income for three months ended March 31, 2012 didn't change materially.

3 Cash and cash equivalents

<i>(in millions of Russian Rubles)</i>	2012	2011
Cash on hand	7 051	10 382
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 256	7 906
- other countries	13 108	13 482
Cash balances with the CBRF (other than mandatory reserve deposits)	3 588	5 785
Cash balances with other banks	665	200
Total cash and cash equivalents	26 668	37 755

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

4 Trading securities

<i>Trading securities (in millions of Russian Rubles)</i>	2012	2011
Corporate Bonds	7 847	3 748
Municipal Bonds	1 470	188
Corporate Eurobonds	1 421	2 954
Federal loan bonds (OFZ)	344	457
Total debt securities	11 082	7 347
Corporate shares	15	-
Total trading securities	11 097	7 347

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

4 Trading securities (continued)

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

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

5 Due from Other Banks

<i>(in millions of Russian Rubles)</i>	2012	2011
Insurance deposits with non-resident banks	370	366
Short-term placements with other banks	-	601
Total due from other banks	370	967

6 Loans and Advances to Customers

<i>(in millions of Russian Rubles)</i>	2012	2011
Corporate loans – large	41 211	40 168
Corporate loans – medium	52 600	50 306
Corporate loans – small	24 224	22 512
Mortgage loans	16 972	15 384
Other loans to individuals	8 945	8 978
Total loans and advances to customers (before provision for loan impairment)	143 952	137 348
Less: Provision for loan impairment	(13 321)	(12 965)
Total loans and advances to customers	130 631	124 383

In accordance with the annually approved Credit policy loans are divided into corporate and retail.

Taking into consideration the Bank's customer policy requirements for 2012 the corporate portion of borrowers is further divided on the basis of total amount owned by the customer into the following categories: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million (2011: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million).

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including customer loans, car loans and bank card loans.

Mortgage loans include mortgage loans of RR 3,631 million securitized in December 2011. As at March 31, 2011 the carrying value of those mortgage loans equals their nominal value.

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

7 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 3M 2012 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2012	3 514	5 501	2 876	432	642	12 965
Charges to provision for loan impairment during the financial period	134	149	39	42	(6)	358
Amounts written off during the period as uncollectible	-	-	(1)	-	(1)	(2)
Provision for loan impairment at March 31, 2012	3 648	5 650	2 914	474	635	13 321

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

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2011	2 014	5 086	3 026	480	584	11 190
Provision for loan impairment during the year	1 500	612	175	(48)	65	2 304
Amounts written off during the year as uncollectible	-	-	(146)	-	(7)	(153)
Results from disposal of loans under cession agreements	-	(197)	(179)	-	-	(376)
Provision for loan impairment at December 31, 2011	3 514	5 501	2 876	432	642	12 965

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

<i>(in millions of Russian Rubles)</i>	2012		2011	
	Amount	%	Amount	%
Manufacturing	39 592	28	37 743	27
Trade	33 177	23	31 510	23
Individuals	25 917	18	24 362	18
Construction	10 555	7	9 927	7
Agriculture	8 017	6	8 122	6
Real estate	7 556	5	7 693	5
Transport and communications	5 500	4	5 127	4
Finance	4 245	3	5 125	4
State and public organizations	3 271	2	2 711	2
Other	6 122	4	5 028	4
Total Loans and advances to customers (Before provisions for loan impairment)	143 952	100	137 348	100

State and public organizations exclude government owned profit oriented businesses.

At March 31, 2012 the Bank had 32 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 41 211 million or 29.3% of the gross loan portfolio.

At December 31, 2011 the bank had 32 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 40 168 million or 29.2% of the gross loan portfolio.

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at March 31, 2012 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	19 447	-	-	-	-	19 447
- Large new borrowers	18 364	-	-	-	-	18 364
- Corporate loans assessed on a portfolio basis, issued in 2012	-	7 197	3 934	-	-	11 131
- Corporate loans assessed on a portfolio basis, issued before 2012	-	39 978	17 452	-	-	57 430
<i>Loans to individuals assessed on a portfolio basis:</i>						
- mortgage loans issued in 2012	-	-	-	2 040	-	2 040
- mortgage loans issued before 2012	-	-	-	14 677	-	14 677
- consumer loans	-	-	-	-	6 084	6 084
- credit cards	-	-	-	-	1 916	1 916
- car loans	-	-	-	-	373	373
Total neither past due nor impaired	37 811	47 175	21 386	16 717	8 373	131 462
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	30	22	15	65	132
- 30 to 90 days overdue	-	-	-	14	5	19
- 91 to 180 days overdue	-	-	-	20	4	24
- 181 to 360 days overdue	-	-	-	14	12	26
Total past due but not impaired	0	30	22	63	86	201
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	261	40	-	-	301
- 30 to 90 days overdue	-	259	98	-	13	370
- 91 to 180 days overdue	-	20	138	-	10	168
- 181 to 360 days overdue	-	205	239	-	16	460
- over 360 days overdue	-	2 793	2 082	-	192	5 067
Total loans collectively determined to be impaired (gross)	-	3 538	2 597	-	231	6 366
<i>Loans individually determined to be impaired (gross)</i>						
- not past due	2 558	-	-	-	-	2 558
- less than 30 days overdue	-	-	-	-	-	-
- 30 to 90 days overdue	-	-	-	-	14	14
- 91 to 180 days overdue	-	477	-	-	16	493
- 181 to 360 days overdue	-	-	-	-	16	16
- over 360 days overdue	842	1 380	219	192	209	2 842
Total loans individually determined to be impaired (gross)	3 400	1 857	219	192	255	5 923
Less impairment provisions	(3 648)	(5 650)	(2 914)	(474)	(635)	(13 321)
Total loans and advances to customers	37 563	46 950	21 310	16 498	8 310	130 631

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

6 Loans and advances to customers (continued)

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

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	19 233	-	-	-	-	19 233
- Large new borrowers	18 955	-	-	-	-	18 955
- Corporate loans assessed on a portfolio basis, issued in 2011	-	34 446	16 713	-	-	51 159
- Corporate loans assessed on a portfolio basis, issued before 2011	-	10 942	2 948	-	-	13 890
<i>Loans to individuals assessed on a portfolio basis:</i>						
- mortgage loans issued in 2011	-	-	-	7 477	-	7 477
- mortgage loans issued before 2011	-	-	-	7 647	-	7 647
- consumer loans	-	-	-	-	6 063	6 063
- credit cards	-	-	-	-	1 948	1 948
- car loans	-	-	-	-	400	400
Total neither past due nor impaired	38 188	45 388	19 661	15 124	8 411	126 772
<i>Past due but not impaired</i>						
- less than 30 days overdue	215	21	35	23	34	328
- 30 to 90 days overdue	-	-	-	10	7	17
- 91 to 180 days overdue	-	-	-	16	2	18
- 181 to 360 days overdue	-	-	-	20	13	33
Total past due but not impaired	215	21	35	69	56	396
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	-	87	-	-	87
- 30 to 90 days overdue	-	-	133	-	13	146
- 91 to 180 days overdue	-	44	55	-	11	110
- 181 to 360 days overdue	-	220	296	-	18	534
- over 360 days overdue	-	2 776	2 025	-	188	4 989
Total loans collectively determined to be impaired (gross)	-	3 040	2 596	-	230	5 866
<i>Loans individually determined to be impaired (gross)</i>						
- not past due	923	-	-	-	-	923
- less than 30 days overdue	-	-	-	-	24	24
- 30 to 90 days overdue	-	477	-	-	13	490
- 91 to 180 days overdue	-	-	-	-	19	19
- 181 to 360 days overdue	-	-	-	-	12	12
- over 360 days overdue	842	1 380	220	191	213	2 846
Total loans individually determined to be impaired (gross)	1 765	1 857	220	191	281	4 314
Less impairment provisions	(3 514)	(5 501)	(2 876)	(432)	(642)	(12 965)
Total loans and advances to customers	36 654	44 805	19 636	14 952	8 336	124 383

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

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

6 Loans and advances to customers (continued)

The value of collateral at March 31, 2012 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	5 424	5 907	1 819	1 019	3 394	17 563
Secured loans:						
- residential real estate	-	-	-	14 645	822	15 467
- other real estate	13 770	24 385	10 058	2	39	48 254
- equipment and inventories, motor vehicles	6 567	12 127	7 659	-	526	26 879
- securities (shares, promissory notes)	-	2	58	58	20	138
- cash deposits	-	-	14	-	11	25
- state guarantees and guarantees of the RF constituents	798	1 405	588	-	-	2 791
- third parties' guarantees	11 898	6 502	3 879	123	2 926	25 328
- other assets (other types of property, rights)	2 754	2 272	149	1 125	1 207	7 507
Total loans and advances to customers (before provisions for loan impairment)	41 211	52 600	24 224	16 972	8 945	143 952

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

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Unsecured loans</i>	3 731	5 157	1 649	1 003	3 049	14 589
Secured loans:						
- residential real estate	-	-	-	14 318	1 251	15 569
- production real estate	14 123	22 371	9 690	2	103	46 289
- equipment and inventories, motor vehicles	5 501	10 972	7 277	-	579	24 329
- securities (shares, promissory notes)	-	7	1	-	-	8
- cash deposits	-	-	11	-	5	16
- state guarantees and guarantees of the RF constituents	792	1 254	528	-	-	2 574
- third parties' guarantees	12 128	8 295	3 178	60	2 841	26 502
- other assets (other types of property, rights)	3 893	2 250	178	1	1 150	7 472
Total loans and advances to customers (before provisions for loan impairment)	40 168	50 306	22 512	15 384	8 978	137 348

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

7 Investment securities available for sale

<i>(in millions of Russian Rubles)</i>	2012	20101
Corporate bonds	2 134	-
Corporate Eurobonds	-	831
RF Eurobonds	-	65
Total debt securities	2 134	896
Corporate shares	488	481
Total investment securities available for sale	2 622	1 377

8 Other Assets

<i>(in millions of Russian Rubles)</i>	2012	2011
Inventories	2 123	2 074
Investment properties	1 870	1 880
Deferred income tax asset	1 097	958
Non-current assets held for sale	985	984
Other	111	260
Total other assets (before provisions)	6 186	6 156
Less provisions on impairment of other assets	(651)	(338)
Total other assets	5 535	5 818

9 Due to Other Banks

<i>(in millions of Russian Rubles)</i>	2012	2011
Placements of other banks	7 374	7 940
Correspondent accounts of other banks	52	262
Total due to other banks	7 426	8 202

10 Customer Accounts

<i>(in millions of Russian Rubles)</i>	2012	2011
State and public organisations		
- Current/settlement accounts	91	254
- Term deposits	2 332	-
Other legal entities		
- Current/settlement accounts	30 930	33 053
- Term deposits	19 983	19 510
Individuals		
- Current/demand accounts	17 584	20 184
- Term deposits	72 049	72 141
Total customer accounts	142 969	145 142

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

10 Customer Accounts (continued)

State and public organizations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>(in millions of Russian Rubles)</i>	2012		2011	
	Amount	%	Amount	%
Individuals	89 633	63	92 325	64
Trade	18 136	13	18 466	12
Finance	10 827	8	10 203	7
Manufacturing	7 664	5	7 204	5
Construction	6 194	4	7 628	5
Transport and communications	4 495	3	5 607	4
State and public organisations	2 424	2	254	0
Agriculture	2 106	1	2 436	2
Other	1 490	1	1 019	1
Total customer accounts	142 969	100	145 142	100

11 Debt Securities in Issue

<i>(in millions of Russian Rubles)</i>	2012	2011
Promissory notes	5 051	3 600
Mortgage backed bonds in issue	3 000	2 931
Deposit certificates	166	191
Total debt securities in issue	8 217	6 722

12 Subordinated loans

Subordinated loans represent long-term deposits of the Bank's customers, which mature from 2013 to 2018 and bear contractual interest rate from 5.8% to 9.2% (2011: from 5.8% to 11.2%). The contractual interest rates are regularly revised in accordance with the terms of the subordinated loans agreements №6 and №7. The debt ranks after all other creditor's claims in case of liquidation.

	Start date	Maturity date	Currency	2012		2011	
				Contractual interest rate, %	Nominal value, RR million	Contractual interest rate, %	Nominal value, RR million
Subordinated loan 1	June 2005	June 2013	USD	5,75	293	5,75	322
Subordinated loan 2	December 2005	December 2013	USD	8,00	205	8,00	226
Subordinated loan 3	March 2006	March 2014	USD	6,50	147	6,50	161
Subordinated loan 4	May 2006	May 2014	USD	6,50	88	6,50	97
Subordinated loan 5	June 2006	June 2014	USD	6,50	147	6,50	161
Subordinated loan 6	December 2006	December 2013	RR	8,00	1 020	8,00	1 000
Subordinated loan 7	April 2007	April 2014	RR	8,00	510	8,00	500
Subordinated loan 8	July 2008	August 2018	USD	9,21	1 456	11,21	1 653
Subordinated loan 9	August 2010	August 2018	USD	8,00	88	8,00	97
Total subordinated loans					3 954		4 217

Subordinated loans №2, 9 received by the Bank from a related party.

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at March 31, 2012

13 Interest Income and Expense

<i>(in millions of Russian Rubles)</i>	3M 2012 (unaudited)	3M 2011 (unaudited)
Interest income		
Loans and advances to customers - legal entities	2 662	2 295
Loans and advances to customers - individuals	891	639
Trading securities	142	132
Correspondent accounts and due from other banks	66	66
Investment securities available for sale	8	14
Total interest income	3 769	3 146
Interest expense		
Term deposits of individuals	963	1 231
Term deposits of legal entities	328	262
Debt securities in issue	144	93
Due to other banks	92	85
Subordinated loans	82	99
Current/settlement accounts of legal entities	11	12
Total interest expense	1 620	1 782
Net interest income	2 149	1 364

14 Fee and Commission Income and Expense

<i>(in millions of Russian Rubles)</i>	3M 2012 (unaudited)	3M 2011 (unaudited)
Fee and commission income		
Settlement transactions	331	293
Credit/debit cards and cheques settlements	280	247
Cash transactions	258	232
Payroll projects	116	115
Guarantees issued	83	62
Cash collection	58	54
Other	92	89
Total fee and commission income	1 218	1 092
Fee and commission expense		
Credit/debit cards and cheques settlements	71	70
Settlement transactions	5	5
Settlements with currency and stock exchanges	4	5
Cash transactions	2	2
Guarantees received	-	2
Other	10	2
Total fee and commission expense	92	86
Net fee and commission income	1 126	1 006

15 Administrative and Other Operating Expenses

<i>(in millions of Russian Rubles)</i>	3M 2012 (unaudited)	3M 2011 (unaudited)
Staff costs	1 258	1 063
Administrative expenses	145	145
Depreciation of premises, equipment and intangible assets	113	122
Other costs related to premises, equipment and intangible assets	111	112
Contributions to the State Deposit Insurance Agency	88	83
Rent	76	69
Taxes other than income tax	60	58
Repairs of premises and equipment	-	-
Advertising and market services	-	-
Other	191	146
Total administrative and other operating expenses	2 042	1 798

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 268 million (2011: RR 249 million).

16 Segment analyses

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

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

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

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

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for 3 months ended 31 March 2012 and 31 December 2011.

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

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16 Segment Analysis (continued)

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
31 March 2012							
Total assets of reportable segments	114 864	19 081	2 516	38 381	-	-	174 842
Total liabilities of reportable segments	61 123	70 891	17 892	4 710	-	1 514	156 130
31 December 2011							
Total assets of reportable segments	107 979	17 987	2 486	37 630	-	713	166 795
Total liabilities of reportable segments	59 826	68 552	16 095	5 520	-	1 469	151 462

The table below represents the information of income and expenses per reportable segments for 3 months ended 31 March 2012. The Group's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
2012							
- Interest income	2 557	664	99	211	-	-	3 531
- Non-interest income	713	228	409	61	-	(14)	1 397
- Transfer income	684	1 385	78	68	825	35	3 075
Total revenues	3 954	2 277	586	340	825	21	8 003
- Interest expense	(506)	(946)	(17)	(48)	-	(35)	(1 552)
- Non-interest expense	(15)	(6)	(74)	(8)	-	(1)	(104)
- Transfer expense	(2 438)	(497)	(41)	(99)	-	-	(3 075)
Total expenses	(2 959)	(1 449)	(132)	(155)	-	(36)	(4 731)
Operating income before provision for loan impairment	995	828	454	185	825	(15)	3 272
Provision for loan impairment	(737)	(20)	(2)	-	-	(9)	(768)
Operating income	258	808	452	185	825	(24)	2 504
Administrative and other operating expenses	(798)	(533)	(333)	(19)	-	(8)	(1 691)
Depreciation of premises and equipment and intangible assets	(43)	(29)	(18)	(1)	-	-	(91)
Losses from cession	(3)	-	-	-	-	-	(3)
Profit/(loss) before tax (Segment result)	(586)	246	101	165	825	(32)	719

16 Segment Analysis (continued)

The reconciliation of assets, liabilities, income and expenses of the Group's reportable segments for 3 months ended 31 March 2012.

Reconciliation of reportable segment assets

<i>(in millions of Russian Rubles)</i>	2012 (unaudited)	2011
Total reportable segment assets	174 842	166 795
Assets unallocated between operating segments	16 933	20 553
Interest claim	1 035	932
Differences in financial statements format *	(11 693)	(6 210)
Deviation due to recording of reportable segment assets without regard to the events after the end of the reporting period	-	(18)
Differences in fair valuation of securities	105	102
Adjustment of provisions for loan impairment based on the incurred loss model	(457)	(594)
Recognition of commission income from lending using the effective interest method	(119)	(147)
Recognition of financial instruments using the effective interest method	122	96
Provision for impairment of inventories	(651)	(338)
Consolidation	2 957	2 717
Total assets under IFRS	183 074	183 888

Reconciliation of reportable segment liabilities

<i>(in millions of Russian Rubles)</i>	2011 (unaudited)	2010
Total reportable segment liabilities	156 130	151 462
Liabilities unallocated between operating segments	1 505	1 144
Liabilities on interest payment	1 938	2 017
Differences in financial statements format *	1 591	8 108
Deviation due to recording of reportable segment liabilities without regard to the events after the end of the reporting period	-	(8)
Recognition of liabilities at amortised cost	(14)	(10)
Consolidation	2 921	2 713
Total liabilities	164 071	165 426

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

16 Segment Analysis (continued)

Reconciliation of income and expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income and expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the statement on comprehensive income under IFRS for 3 months ended 31 March 2012:

<i>(in millions of Russian Rubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non interest income	Provision for loan impairment	Administrative and other operating expenses
Total reportable segment result	719	3 531	1 397	(1 552)	(104)	(771)	(1 782)
Recognition of commission income from lending using the effective interest method	28	26	2	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	8	-	8	-	-	-	-
Recognition of interest income/expense using the effective interest method	4	-	4	-	-	-	-
Differences in fair valuation of trading securities	(2)	-	(2)	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	413	-	4	-	-	166	-
Accrued Bank's liabilities on unused vacation payments, and other	(208)	-	-	-	-	-	(208)
Differences in depreciation charge on fixed assets,	(23)	-	-	-	-	-	(23)
Recognition of financial instruments using the effective interest method	26	26	-	-	-	-	-
Reclassification of management accounts items	-	63	30	(68)	(16)	1	(324)
Provision for impairment of other assets	(313)	-	-	-	-	(69)	-
Consolidation	38	123	(69)	-	-	2	(18)
Other	(1)	-	(1)	-	-	-	-
IFRS	689	3 769	1 373	(1 620)	(120)	(671)	(2 355)

17 Financial Risk Management

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

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Bank's annual financial report for the year ended December 31, 2011.

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

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

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17 Financial Risk Management (continued)

The table below summarises the Group's exposure to currency risk at 31 March 2012:

<i>(in millions of Russian Rubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	12 694	7 878	6 076	20	26 668
Mandatory cash balances with the CBRF	1 448	352	181	-	1 981
Trading securities	9 661	343	1 078	-	11 082
Due from other banks	-	370	-	-	370
Loans and advances to customers	116 378	10 570	3 683	-	130 631
Investment securities available for sale	-	1 473	661	-	2 134
Other financial assets	835	206	2	-	1 043
Total monetary financial assets	141 016	21 192	11 681	20	173 909
Monetary financial liabilities					
Due to other banks	3 052	1 865	2 509	-	7 426
Customer accounts	116 776	17 276	8 909	8	142 969
Debt securities in issue	5 172	45	-	-	5 217
Subordinated loans	1 530	2 424	-	-	3 954
Mortgage backed bonds in issue	3 000	-	-	-	3 000
Other financial liabilities	860	11	-	-	871
Total monetary financial liabilities	130 390	21 621	11 418	8	163 437
Net balance sheet position	10 626	(429)	263	12	10 472
Credit related commitment	23 168	665	2 076	-	25 909

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

17 Financial Risk Management (continued)

The analyses of Group's liquidity risk as at March 31, 2012 is as follows:

<i>(in millions of Russian Rubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	26 668	-	-	-	26 668
Mandatory cash balances with the CBRF	747	424	421	389	1 981
Trading securities	11 097	-	-	-	11 097
Due from other banks	-	-	-	370	370
Loans and advances to customers	10 319	39 127	31 367	49 818	130 631
Investment securities available for sale	488	-	1 975	159	2 622
Other financial assets	1 080	-	-	-	1 080
Other assets	65	-	-	-	65
Total financial assets	50 464	39 551	33 763	50 736	174 514
Financial liabilities					
Due to other banks	306	356	235	6 529	7 426
Customer accounts	53 666	29 491	30 788	29 024	142 969
Debt securities in issue	2 206	2 252	713	3 046	8 217
Subordinated loans	-	7	30	3 917	3 954
Other financial liabilities	871	-	-	-	871
Total financial liabilities	57 049	32 106	31 766	42 516	163 437
Net liquidity gap based on expected maturities at 31 March 2012	(6 585)	7 445	1 997	8 220	11 077
Cumulative liquidity gap at 31 March 2012	(6 585)	860	2 857	11 077	
Financial quarantees	11 792	-	-	-	11 792
Other credit related commitments	14 117	-	-	-	14 117

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

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

18 Contingencies and Commitments

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

19 Contingencies and Commitments (continued)

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

<i>(in millions of Russian Rubles)</i>	2012	2011
Guarantees issued	11 792	9 736
Unused limits on overdraft loans	10 832	12 076
Undrawn credit facilities	2 282	1 684
Import letters of credit	1 003	992
Letters of credit for payments in the Russian Federation	-	-
Total credit related commitments	25 909	24 488

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