

BANK VOZROZHDENIE

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

30 September 2011

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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of financial position as at September 30, 2011

(in millions of Russian Rubles)

1USD = 31,8751 Russian Ruble as at 30 September 2011

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

September 30, 2011 **December 31, 2010**
(unaudited)

ASSETS

Cash and cash equivalents	24 926	32 151
Mandatory cash balances with the Central Bank of the Russian Federation	1 923	1 072
Trading securities held to maturity	13 793	12 182
Due from other banks	363	5 860
Loans and advances to customers	124 033	104 046
Investment securities available for sale	2 904	2 043
Investment securities held to maturity	-	-
Premises, equipment and intangible assets	3 082	3 132
Other financial assets	1 045	1 644
Other assets	4 677	4 028

TOTAL ASSETS	176 746	166 158
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LIABILITIES

Due to other banks	8 735	7 772
Customer accounts	138 235	130 334
Debt securities in issue	6 086	5 794
Subordinated loans	4 228	4 293
Other financial liabilities	791	611
Other liabilities	723	494

TOTAL LIABILITIES	158 798	149 298
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SHAREHOLDERS' EQUITY

Share capital	250	250
Share premium	7 306	7 306
Retained earnings	10 336	9 227
Other reserves/Funds	56	77

TOTAL SHAREHOLDERS' EQUITY	17 948	16 860
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	176 746	166 158
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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on September 30, 2011

	9M ended 30 September		3M ended 30 September	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(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				
Interest income	10 265	10 337	3 591	3 243
Interest expense	(5 022)	(6 249)	(1 569)	(1 992)
Net interest income	5 243	4 088	2 022	1 251
Provision for loan impairment	(1 646)	(1 869)	(720)	(577)
Net interest income after provision for loan impairment	3 597	2 219	1 302	674
Fee and commission income	3 746	3 091	1 364	1 134
Fee and commission expense	(292)	(245)	(108)	(90)
(Losses less gains)/ Gains less losses arising from trading securities	(32)	(12)	(34)	20
Income from trading in foreign currencies	3 021	2 114	1 410	833
Expenses from trading in foreign currencies	(2 715)	(1 881)	(1 306)	(739)
Foreign exchange translation gains less losses	(42)	1	15	(9)
Gains less losses from disposals of investment securities available for sale	9	-	6	-
Recovery of Impairment of investment securities available for sale	-	-	-	16
Provision for impairment of other assets	(133)	-	(135)	-
Dividend income	3	1	3	1
Other operating income	189	128	54	57
Administrative and other operating expenses	(5 948)	(4 928)	(2 059)	(1 718)
Profit before tax	1 403	488	512	179
Income tax expense	(280)	(91)	(101)	-
PROFIT FOR THE REPORTING PERIOD	1 123	397	411	179
Other comprehensive income:				
Available-for-sale investments:				
Gains less losses arising during the year	(2)	6	-	23
Income tax recorded directly in other comprehensive income	(19)	(3)	(29)	5
Other comprehensive income for the year	(21)	3	(29)	28
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1 102	400	382	207
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RUB per share)				
Ordinary shares	45	16	16	7
Preference shares with fixed dividend amount	46	18	16	7

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on September 30, 2011

	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2008	250	7 306	52	7 457	15 065
Total comprehensive income for 2009	-	-	18	1 217	1 235
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2009	250	7 306	70	8 660	16 286
Total comprehensive income for 2010	-	-	3	397	400
Dividends declared	-	-	-	(14)	(14)
Balance at September 30, 2010	250	7 306	73	9 043	16 672

	Share capital	Share premium	Other reserves/ funds	Retained earnings	Total equity
Balance at December 31, 2009	250	7 306	70	8 660	16 286
Total comprehensive income for 2010	-	-	7	581	588
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2010	250	7 306	77	9 227	16 860
Total comprehensive income for 2011	-	-	(21)	1 123	1 102
Dividends declared	-	-	-	(14)	(14)
Balance at September 30, 2011	250	7 306	56	10 336	17 948

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Cash Flows for the period ended on September 30, 2011

<i>(in millions of Russian Rubles)</i>	9M 2011 (unaudited)	9M 2010 (unaudited)
Cash flows from operating activities		
Interest received	10 561	9 536
Interest paid	(4 641)	(5 994)
Fees and commissions received	3 721	3 037
Fees and commissions paid	(292)	(245)
Net income received from trading securities	23	19
Net income received from trading in foreign currencies	306	232
Other operating income received	151	181
Administrative and other operating expenses paid	(5 149)	(4 463)
Income tax paid	(580)	(445)
Cash flows from operating activities before changes in operating assets and liabilities	4 100	1 858
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(851)	(189)
Net increase in trading securities	(1 389)	(5 513)
Net decrease in due from other banks	5 512	5 057
Net increase in loans and advances to customers	(21 901)	(10 291)
Net decrease in other financial assets	619	152
Net decrease/ (increase) in other assets	32	(37)
Net increase/ (decrease) in due to other banks	628	(1 854)
Net increase in customer accounts	6 227	12 001
Net increase/(decrease) in debt securities in issue	180	(735)
Net increase in other financial liabilities	179	610
Net decrease in other liabilities	(136)	(66)
Net cash used in operating activities	(6 800)	993
Cash flows from investing activities		
Acquisition of investment securities available for sale	(1 057)	(991)
Proceeds from disposal of investment securities available for sale	347	131
Acquisition of investment securities held to maturity	-	(197)
Acquisition of fixed and intangible assets	(335)	(368)
Proceeds from disposal of fixed and intangible assets	-	2
Proceeds from disposal of investment property	181	-
Proceeds from disposal of long term assets available for sale	37	69
Dividends received	3	1
Net cash used in investing activities	(824)	(1 353)
Cash flows from financing activities		
Repayment of subordinated loans	(226)	(302)
Dividends paid	(14)	(14)
Net cash used in financing activities	(240)	(316)
Effect of exchange rate changes on cash and cash equivalents	(639)	(436)
Net decrease in cash and cash equivalents	(7 225)	(1 112)
Cash and cash equivalents at the beginning of the year	32 151	34 101
Cash and cash equivalents at the end of the financial period	24 926	32 989

1 Introduction

These interim financial statements of Bank Vozrozhdenie has been prepared in accordance with International Financial Reporting (IAS) 34 "Interim financial statements" (the IFRS (IAS) 34) for nine months ended September 30, 2011.

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 September 30, 2011 comprised RR31.8751, as of December 31, 2010 - RR30.4769 , and as of September 30, 2010 – RR30.4030 per one USD and relatively RR43.3979, RR40.3331 and RR41.3481 per one EUR.

2 Principles of accounting policies, critical accounting estimates and judgments

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

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

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

Judgments made by the Bank's management applying accounting policy comply with the judgments described in the Bank's annual Financial Statement for 2010. The Bank's Management didn't apply any new estimates and judgments. As a result of applying estimates and judgments described in the Bank's financial statements for the year ended December 31, 2010 the Bank's assets, revenues and income for nine months ended September 30, 2011 didn't change materially.

3 Cash and cash equivalents

<i>(in millions of Russian Rubles)</i>	2011	2010
Cash on hand	6 536	10 792
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 796	202
- other countries	10 579	15 823
Cash balances with the CBRF (other than mandatory reserve deposits)	5 015	5 334
Total cash and cash equivalents	24 926	32 151

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

4 Trading securities

<i>Trading securities (in millions of Russian Rubles)</i>	2011	2010
Corporate Bonds	4 470	1 869
CBRF bonds	3 760	4 588
Corporate Erobonds	3 023	431
Municipal Bonds	2 436	1 126
Federal loan bonds (OFZ)	104	269
State Internal loan Bonds (OVGVZ)	-	3 898
Total debt securities	13 793	12 181
Corporate shares	-	1
Total trading securities	13 793	12 182

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>	2011	2010
Deposits with CBRF	-	4 500
Short-term placements with other banks	1	1 055
Insurance deposits with non-resident banks	362	305
Total due from other banks	363	5 860

The Bank has a significant concentration of credit risk with the CBRF. In total, credit risk exposure to the CBRF is estimated to have amounted to RR 10,698 million (2010: RR15,494 million), comprising cash and cash equivalents, mandatory reserve deposits with the CBRF and trading securities.

6 Loans and Advances to Customers

<i>(in millions of Russian Rubles)</i>	2011	2010
Corporate loans – large	38 134	31 715
Corporate loans – medium	53 344	48 206
Corporate loans – small	22 763	18 705
Mortgage loans	13 639	9 806
Other loans to individuals	8 811	6 804
Total loans and advances to customers (before provision for loan impairment)	136 691	115 236
Less: Provision for loan impairment	(12 658)	(11 190)
Total loans and advances to customers	124 033	104 046

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

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at September 30, 2011

6 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 9M 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
Charges to/ (release of) provision for loan impairment during the year	893	583	112	12	46	1 646
Amounts written off during the year as uncollectible	-	-	(174)	-	(4)	(178)
Provision for loan impairment at September 30, 2011	2 907	5 669	2 964	492	626	12 658

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

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

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

<i>(in millions of Russian Rubles)</i>	2011		2010	
	Amount	%	Amount	%
Manufacturing	34 610	25	28 261	24
Trade	33 138	24	27 118	24
Individuals	22 450	16	16 610	14
Construction	11 633	9	10 251	9
Finance	6 492	5	2 916	3
Real estate	8 143	7	5 267	4
Agriculture	6 077	4	4 406	4
State and public organizations	3 855	3	8 097	7
Transport and communications	3 100	2	6 849	6
Other	7 193	5	5 461	5
Total Loans and advances to customers (Before provisions for loan impairment)	136 691	100	115 236	100

State and public organizations exclude government owned profit oriented businesses.

At September 30, 2011 the Bank had 30 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 38 134 million or 27.9% of the gross loan portfolio.

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

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at September 30, 2011

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at September 30, 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	15 539	-	-	-	-	15 539
- Large new borrowers	20 970	-	-	-	-	20 970
- Loans assessed on a portfolio basis	-	47 736	19 907	12 891	8 160	88 694
Total neither past due nor impaired	36 509	47 736	19 907	12 891	8 160	125 203
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	121	49	472	125	767
- 30 to 90 days overdue	-	-	-	14	13	27
- 90 to 180 days overdue	-	-	-	8	12	20
- 180 to 360 days overdue	-	-	-	23	7	30
- over 360 days overdue	-	-	11	-	-	11
Total past due but not impaired	-	121	60	517	157	855
<i>Loans collectively determined to be impaired (gross)</i>						
- less than 30 days overdue	-	-	7	-	-	7
- 30 to 90 days overdue	-	45	27	-	15	87
- 90 to 180 days overdue	-	175	192	-	14	381
- 180 to 360 days overdue	-	275	161	-	15	451
- over 360 days overdue	-	2 569	2 189	-	189	4 947
Total loans collectively determined to be impaired (gross)	-	3 064	2 576	-	233	5 873
<i>Loans individually determined to be impaired (gross)</i>						
- less than 30 days overdue	775	1 043	-	-	-	1 818
- 30 to 90 days overdue	-	-	-	1	19	20
- 90 to 180 days overdue	-	-	-	4	23	27
- 180 to 360 days overdue	-	-	-	4	8	12
- over 360 days overdue	850	1 380	220	222	211	2 883
Total loans individually determined to be impaired (gross)	1 625	2 423	220	231	261	4 760
Less impairment provisions	(2 907)	(5 669)	(2 964)	(492)	(626)	(12 658)
Total loans and advances to customers less provision	35 227	47 675	19 799	13 147	8 185	124 033

6 Loans and advances to customers (continued)

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

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

6 Loans and advances to customers (continued)

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

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

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

The value of collateral at September 30, 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>	5 119	5 357	2 333	87	2 671	15 567
<i>Secured loans:</i>						
- residential real estate	-	-	-	9 912	1 299	11 211
- other real estate	17 557	23 283	9 447	-	-	50 287
- equipment and inventories, motor vehicles	5 174	11 474	7 027	-	561	24 236
- securities (shares, promissory notes)	-	139	3	-	-	142
- cash deposits	-	-	11	-	15	26
- state guarantees and guarantees of the RF constituents	792	1 544	516	-	-	2 852
- third parties' guarantees	7 027	7 941	3 318	81	2 931	21 298
- other assets (other types of property, rights)	2 465	3 606	108	3 559	1 334	11 072
Total loans and advances to customers (before provisions for loan impairment)	38 134	53 344	22 763	13 639	8 811	136 691

6 Loans and advances to customers (continued)

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

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

7 Investment securities available for sale

<i>(in millions of Russian Rubles)</i>	2011	2010
Municipal bonds	1 276	1 171
Corporate Eurobonds	975	197
RF Eurobonds	191	122
Corporate bonds	-	111
Total debt securities	2 442	1 601
Corporate shares	462	442
Total investment securities available for sale	2 904	2 043

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

<i>(in millions of Russian Rubles)</i>	2011	2010
Carrying amount at 1 January	2 043	1 312
Fair value gains less losses	(2)	(5)
Interest income accrued	17	4
Interest income received	-	55
Purchases	1 057	1 589
Disposals of investment securities available for sale	(347)	(876)
Writing off of investment securities available for sale	-	(30)
Other	136	(6)
Carrying amount at September 30/December 31	2 904	2 043

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at September 30, 2011

8 Other Assets

<i>(in millions of Russian Rubles)</i>	2011	2010
Inventories	2 905	2 827
Deferred income tax asset	807	566
Investment properties	1 037	601
Non-current assets held for sale	135	114
Other	48	42
Total other assets (before provisions)	4 932	4 150
Less provisions on impairment of other assets	(255)	(122)
Total other assets	4 677	4 028

9 Due to Other Banks

<i>(in millions of Russian Rubles)</i>	2011	2010
Placements of other banks	8 095	6 936
Correspondent accounts of other banks	640	836
Total due to other banks	8 735	7 772

10 Customer Accounts

<i>(in millions of Russian Rubles)</i>	2011	2010
State and public organisations		
- Current/settlement accounts	482	245
- Term deposits	3 727	1 501
Other legal entities		
- Current/settlement accounts	31 573	28 201
- Term deposits	15 212	15 136
Individuals		
- Current/demand accounts	16 296	16 539
- Term deposits	70 945	68 712
Total customer accounts	138 235	130 334

Bank Vozrozhdenie
Notes to the interim Financial Statement according to IFRS as at September 30, 2011

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>	2011		2010	
	Amount	%	Amount	%
Individuals	87 242	64	85 251	65
Trade	15 675	11	10 341	8
Finance	8 573	6	12 594	10
Manufacturing	7 297	5	6 129	5
Transport and communications	5 558	4	3 663	3
Construction	5 321	4	3 335	3
State and public organisations	4 209	3	1 746	1
Agriculture	1 223	1	1 358	1
Other	3 137	2	5 917	4
Total customer accounts	138 235	100	130 334	100

11 Debt Securities in Issue

<i>(in millions of Russian Rubles)</i>	2011	2010
Promissory notes	5 847	5 534
Deposit certificates	239	260
Total debt securities in issue	6 086	5 794

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 11.2% (2010: from 2.3% to 9.2%). The contractual interest rates are regularly revised in accordance with the terms of the subordinated loans agreements №7 and №8. The debt ranks after all other creditor's claims in case of liquidation. The details of subordinated loans attracted by the Bank are disclosed in the table below:

	Start date	Maturity date	Currency	2011		2010	
				Contractual interest rate, %	Nominal value, RR million	Contractual interest rate, %	Nominal value, RR million
Subordinated loan 1	May 2000	April 2011	USD	-	-	2,25	241
Subordinated loan 2	June 2005	June 2013	USD	5,75	319	5,75	305
Subordinated loan 3	December 2005	December 2013	USD	8,0	223	8,0	214
Subordinated loan 4	March 2006	March 2014	USD	6,5	160	6,5	153
Subordinated loan 5	May 2006	May 2014	USD	6,5	96	6,5	91
Subordinated loan 6	June 2006	June 2014	USD	6,5	160	6,5	153
Subordinated loan 7	December 2006	December 2013	RR	8,25	1 060	7,75	1 000
Subordinated loan 8	April 2007	April 2014	RR	8,25	530	7,75	500
Subordinated loan 9	July 2008	August 2018	USD	11,21	1 602	9,21	1 545
Subordinated loan 10	August 2010	August 2018	USD	8,0	96	8,0	91
Total subordinated loans					4 246		4 293

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

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13 Interest Income and Expense

<i>(in millions of Russian Rubles)</i>	9M 2011 (unaudited)	9M 2010 (unaudited)
Interest income		
Loans and advances to customers - legal entities	7 504	7 832
Loans and advances to customers - individuals	2 131	1 578
Trading securities	401	599
Correspondent accounts and due from other banks	188	251
Investment securities available for sale	35	69
Investment securities held to maturity	6	8
Total interest income	10 265	10 337
Interest expense		
Term deposits of individuals	3 280	4 355
Term deposits of legal entities	863	1 244
Debt securities in issue	314	289
Subordinated loans	265	260
Due to other banks	263	75
Current/settlement accounts of legal entities	37	26
Total interest expense	5 022	6 249
Net interest income	5 243	4 088

14 Fee and Commission Income and Expense

<i>(in millions of Russian Rubles)</i>	9M 2011 (unaudited)	9M 2010 (unaudited)
Fee and commission income		
Settlement transactions	998	813
Cash transactions	840	732
Credit/debit cards and cheques settlements	831	654
Payroll projects	375	382
Cash collection	190	166
Guarantees issued	185	128
Other	327	216
Total fee and commission income	3 746	3 091
Fee and commission expense		
Credit/debit cards and cheques settlements	231	179
Settlement transactions	17	15
Settlements with currency and stock exchanges	15	17
Cash transactions	9	8
Guarantees received	4	-
Other	16	26
Total fee and commission expense	292	245
Net fee and commission income	3 454	2 846

15 Administrative and Other Operating Expenses

<i>(in millions of Russian Rubles)</i>	9M 2011 (unaudited)	9M 2010 (unaudited)
Staff costs	3 558	2 668
Administrative expenses	461	433
Depreciation of premises, equipment and intangible assets	384	379
Other costs related to premises, equipment and intangible assets	416	403
Contributions to the State Deposit Insurance Agency	252	217
Rent	224	204
Taxes other than income tax	203	174
Other	450	450
Total administrative and other operating expenses	5 948	4 928

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 723 million (2010: RR 319 million).

17 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 9 months ended 30 September 2011 and 31 December 2010.

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

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17 Segment Analysis (continued)

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
30 September 2011							
Total assets of reportable segments	106 244	16 950	2 448	40 024	-	-	165 666
Total liabilities of reportable segments	60 052	68 170	15 943	5 247	-	1 438	150 850
31 December 2010							
Total assets of reportable segments	86 386	12 580	2 436	42 392	-	-	143 794
Total liabilities of reportable segments	50 269	60 491	14 227	3 174	-	1 519	129 680

The table below represents the information of income and expenses per reportable segments for 9 months ended 30 September 2011. The Bank's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
2011							
- Interest income	7 450	1 794	297	579	-	-	10 120
- Non-interest income	2 530	670	1 147	156	-	41	4 544
- Transfer income	2 203	4 106	194	196	1 517	99	8 315
Total revenues	12 183	6 570	1 638	931	1 517	140	22 979
- Interest expense	(1 472)	(3 245)	(34)	(148)	-	(120)	(5 019)
- Non-interest expense	(184)	(1)	(195)	(30)	-	(8)	(418)
- Transfer expense	(6 628)	(1 231)	(141)	(315)	-	-	(8 315)
Total expenses	(8 284)	(4 477)	(370)	(493)	-	(128)	(13 752)
Operating income before provision for loan impairment	3 899	2 093	1 268	438	1 517	12	9 227
Provision for loan impairment	(2 075)	(41)	(7)	-	-	-	(2 123)
Operating income	1 824	2 052	1 261	438	1 517	12	7 104
Administrative and other operating expenses	(2 125)	(2 159)	(997)	(45)	-	(46)	(5 372)
Profit/(loss) before tax (Segment result)	(301)	(107)	264	393	1 517	(34)	1 732

17 Segment Analysis (continued)

The reconciliation of assets, liabilities, income and expenses of the Bank's reportable segments for 9 months ended 30 September 2011.

Reconciliation of reportable segment assets

<i>(in millions of Russian Rubles)</i>	September 30, 2011 (unaudited)	December 31, 2010
Total reportable segment assets	165 666	143 794
Assets unallocated between operating segments	15 341	19 707
Interest claim	1 168	1 351
Differences in financial statements format *	(4 634)	2 080
Deviation due to recording of reportable segment assets without regard to the events after the end of the reporting period	-	(39)
Differences in fair valuation of securities	67	19
Adjustment of provisions for loan impairment based on the incurred loss model	(569)	(735)
Recognition of commission income from lending using the effective interest method	(185)	(220)
Fair valuation of instruments with non-market rates	-	(1)
Recognition of financial instruments using the effective interest method	147	324
Provision for impairment of inventories	(255)	(122)
Total assets	176 746	166 158

Reconciliation of reportable segment liabilities

<i>(in millions of Russian Rubles)</i>	September 30, 2011 (unaudited)	December 31, 2010
Total reportable segment liabilities	150 850	129 680
Liabilities unallocated between operating segments	1 515	1 105
Liabilities on interest payment	2 491	2 068
Differences in financial statements format *	3 960	16 473
Deviation due to recording of reportable segment liabilities without regard to the events after the end of the reporting period	-	(5)
Recognition of liabilities at amortised cost	(18)	(23)
Total liabilities	158 798	149 298

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

17 Segment Analysis (continued)

Reconciliation of income and expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest 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 9 months ended 30 September 2011:

<i>(in millions of Russian Rubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non interest income	Provision for loan impairment	Administrative and other operating expenses
Total reportable segment result	1 732	10 120	4 544	(5 019)	(418)	(2 123)	(5 372)
Recognition of commission income from lending using the effective interest method	33	29	4	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	21	-	21	-	-	-	-
Recognition of interest income/expense using the effective interest method	(6)	-	(3)	(3)	-	-	-
Differences in fair valuation of trading securities	28	(128)	156	-	-	-	-
Fair valuation of instruments with non-market rates	-	-	-	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	422	-	(120)	-	-	542	-
Accrued Bank's liabilities on unused vacation payments, and other	(413)	-	-	-	-	-	(413)
Differences in depreciation charge on fixed assets,	(98)	-	-	-	-	-	(98)
Recognition of financial instruments using the effective interest method	(177)	(177)	-	-	-	-	-
Reclassification of management accounts items	-	421	(351)	-	50	(65)	(55)
Provision for impairment of inventories	(133)	-	-	-	-	-	(133)
Other	(6)	-	4	-	-	-	(10)
Profit before tax	1 403	10 265	4 255	(5 022)	(368)	(1 646)	(6 081)

18 Financial Risk Management

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

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Bank's annual financial report for the year ended December 31, 2010.

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

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

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The table below summarises the Bank's exposure to currency risk at 30 September 2011:

<i>(in millions of Russian Rubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	13 326	5 479	5 960	161	24 926
Mandatory cash balances with the CBRF	1 923	-	-	-	1 923
Trading securities	9 278	2 165	2 350	-	13 793
Due from other banks	-	362	1	-	363
Loans and advances to customers	107 945	12 517	3 571	-	124 033
Investment securities available for sale	-	421	2 020	-	2 441
Investment securities held to maturity	-	-	-	-	-
Other financial assets	819	224	2	-	1 045
Total monetary financial assets	133 291	21 168	13 904	161	168 524
Monetary financial liabilities					
Due to other banks	3 638	2 204	2 893	-	8 735
Customer accounts	110 775	16 431	10 970	59	138 235
Debt securities in issue	6 015	43	28	-	6 086
Subordinated loans	1 592	2 636	-	-	4 228
Other financial liabilities	775	16	-	-	791
Total monetary financial liabilities	122 795	21 330	13 891	59	158 075
Net balance sheet position	10 496	(162)	13	102	10 449
Credit related commitment	23 788	2 785	2 070	-	28 643

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Notes to the interim Financial Statement according to IFRS as at September 30, 2011

18 Financial Risk Management (continued)

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

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

The analyses of Bank's liquidity risk as at September 30, 2011 is as follows:

<i>(in millions of Russian Rubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	24 926	-	-	-	24 926
Mandatory cash balances with the CBRF	763	357	311	492	1 923
Trading securities	13 793	-	-	-	13 793
Due from other banks	1	1	1	360	363
Loans and advances to customers	7 494	36 743	31 106	48 690	124 033
Investment securities available for sale	1 838	130	-	936	2 904
Investment securities held to maturity	-	-	-	-	-
Other financial assets	1 045	-	-	-	1 045
Total financial assets	49 860	37 231	31 418	50 478	168 987
Liabilities					
Due to other banks	719	521	579	6 916	8 735
Customer accounts	56 233	23 629	21 506	36 867	138 235
Debt securities in issue	1 054	3 164	1 814	54	6 086
Subordinated loans	-	100	-	4 128	4 228
Other financial liabilities	791	-	-	-	791
Total financial liabilities	58 797	27 414	23 899	47 965	158 075
Net liquidity gap based on expected maturities at 30 September 2011	(8 937)	9 817	7 519	2 513	10 912
Cumulative liquidity gap at 30 September 2011	(8 937)	880	8 399	10 912	

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

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

19 Contingencies and Commitments

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

19 Contingencies and Commitments (continued)

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

<i>(in millions of Russian Rubles)</i>	2011	2010
Unused limits on overdraft loans	14 321	10 497
Guarantees issued	10 439	8 987
Undrawn credit facilities	2 899	1 561
Import letters of credit	984	935
Letters of credit for payments in the Russian Federation	-	70
Total credit related commitments	28 643	22 050

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