ZAO Raiffeisenbank

International Financial Reporting Standards Consolidated Condensed Interim Financial Information and Review Report of Independent Auditor

30 September 2011

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Report on review of interim financial information

To the Shareholders and Managing Board of ZAO Raiffeisenbank:

Introduction

1 We have reviewed the accompanying consolidated condensed interim statement of financial position of ZAO Raiffeisenbank and its subsidiaries (the "Group") as of as of 30 September 2011 and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the three and nine months then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

31 October 2011
Moscow, Russian Federation

In thousands of Russian Roubles	Note	30 September 2011 (Unaudited)	31 December 2010
ASSETS			
Cash and cash equivalents	7	127 369 677	84 278 857
Mandatory cash balances with the Central Bank of the Russian Federation		5 338 947	2 698 403
Trading securities	8	52 593 402	53 613 606
Other securities at fair value through profit or loss	9	5 934 461	18 405 098
Due from other banks	10	5 229 803	21 724 713
Loans and advances to customers	11	372 611 940	283 563 919
Investment securities available for sale	12	11 115 161	11 086 572
Premises and equipment		8 787 459	9 097 449
Intangible assets		11 886 207	11 777 347
Deferred income tax asset		2 368 995	2 248 290
Investment securities held to maturity	13	495 413	512 148
Derivatives and other financial assets	14	10 380 329	6 337 166
Investment in associate		1 223 560	1 058 323
Other assets		1 450 228	1 902 811
TOTAL ASSETS		**616 785 582**	**508 304 702**
LIABILITIES			
Due to other banks	15	20 044 645	20 535 226
Customer accounts	16	411 890 736	286 744 158
Term borrowings from the Parent Bank		57 282 072	81 169 487
Term borrowings from other financial institutions		4 060 054	5 658 905
Debt securities in issue		15 547 606	16 196 249
Current income tax liability		650 954	500 840
Derivatives and other financial liabilities	17	12 670 538	7 591 746
Other liabilities		4 040 379	3 999 773
TOTAL LIABILITIES		**526 186 984**	**422 396 384**
EQUITY			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		45 218 611	40 528 331
TOTAL EQUITY		**90 598 598**	**85 908 318**
TOTAL LIABILITIES AND EQUITY		**616 785 582**	**508 304 702**

Approved for issue and signed on behalf of the Managing Board on 31 October 2011.

Oksana Panchenko
Acting Chairman of the Board

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «РАЙФФАЙЗЕНБАНК» МОСКВА

Arndt Roechling
Chief Financial Officer

In thousands of Russian Roubles	Note	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)	Nine-Month Period Ended 30 September 2010 (Unaudited)	Three-Month Period Ended 30 September 2010 (Unaudited)
Interest income	18	27 298 082	9 685 468	23 660 489	7 862 425
Interest expense	18	(9 020 853)	(3 408 949)	(7 795 916)	(2 622 568)
Net interest income		**18 277 229**	**6 276 519**	**15 864 573**	**5 239 857**
Charge of provision for loan impairment	11	(1 192 706)	(1 169 540)	(2 498 129)	(510 951)
Net interest income after provision for loan impairment		**17 084 523**	**5 106 979**	**13 366 444**	**4 728 906**
Fee and commission income	19	7 294 965	2 652 990	6 584 754	2 325 385
Fee and commission expense	19	(1 601 979)	(600 382)	(1 159 355)	(449 712)
(Losses, net of gains)/ gains less losses from trading securities		(1 704 396)	(1 650 159)	803 040	40 894
Gains less losses/(losses, net of gains) from other securities at fair value through profit or loss		56 521	(43 268)	635 211	321 384
Gains less losses/(losses, net of gains) from trading in foreign currencies		2 271 392	630 110	2 279 216	568 560
(Unrealized losses, net of gains)/ gains less losses from derivative financial instruments		(284 210)	1 333 721	(3 102 308)	2 951 450
Realized gains less losses/(losses, net of gains) from derivative financial instruments		1 213 398	456 829	2 589 445	40 982
Foreign exchange translation gains less losses/ (losses, net of gains)		911 112	(111 982)	(747 796)	(3 049 595)
Ineffectiveness from the hedge accounting		(118 981)	(163 018)	(323 062)	(128 386)
Charge of provisions for credit related commitments		(341 432)	(303 330)	(546 241)	(123 875)
Provision for investment securities held to maturity		(5 263)	233	-	-
Gains from the sale of loans		1 070 434	840 594	450 440	342 318
Other operating income		326 592	212 876	93 364	34 425
Share of profit of associate		105 237	51 798	31 284	13 734
Operating income		**26 277 913**	**8 413 991**	**20 954 436**	**7 616 470**
Administrative and other operating expenses	20	(14 202 005)	(5 005 185)	(12 706 413)	(4 337 452)
Profit before tax		**12 075 908**	**3 408 806**	**8 248 023**	**3 279 018**
Income tax expense		(3 043 757)	(1 128 391)	(2 020 765)	(801 585)
Profit for the period		**9 032 151**	**2 280 415**	**6 227 258**	**2 477 433**
Revaluation of investment securities available for sale		(307 987)	(131 075)	618 283	714 133
Valuation reserve due to cash flow hedge		265 044	17 929	311 437	144 275
Income tax (expense)/credit		8 589	22 630	(185 944)	(171 682)
Other comprehensive (expense)/ income for the period, net of tax		**(34 354)**	**(90 516)**	**743 776**	**686 726**
Total comprehensive income for the period, net of tax		**8 997 797**	**2 189 899**	**6 971 034**	**3 164 159**

In thousands of Russian Roubles	Share capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Total
Balance at 1 January 2010	**43 268 888**	**591 083**	**1 520 016**	**34 258 706**	**(532 685)**	**79 106 008**
Profit for the period	-	-	-	6 227 258	-	6 227 258
Other comprehensive income recognized for the period	-	-	-	-	743 776	743 776
Total comprehensive income for the period	**-**	**-**	**-**	**6 227 258**	**743 776**	**6 971 034**
Dividends declared	-	-	-	(1 198 241)	-	(1 198 241)
Balance at 30 September 2010	**43 268 888**	**591 083**	**1 520 016**	**39 287 723**	**211 091**	**84 878 801**
Balance at 1 January 2011	**43 268 888**	**591 083**	**1 520 016**	**40 348 137**	**180 194**	**85 908 318**
Profit for the period	-	-	-	9 032 151	-	9 032 151
(Other comprehensive expense recognized for the period)	-	-	-	-	(34 354)	(34 354)
Total comprehensive income for the period	**43 268 888**	**591 083**	**1 520 016**	**49 380 288**	**145 840**	**94 906 115**
Dividends declared	-	-	-	(4 307 517)	-	(4 307 517)
Balance at 30 September 2011	**43 268 888**	**591 083**	**1 520 016**	**45 072 771**	**145 840**	**90 598 598**

In thousands of Russian Roubles	Note	Nine-Month Period Ended 30 September 2011 (Unaudited)	Nine-Month Period Ended 30 September 2010 (Unaudited)
Net cash from/ (used in) operating activities		**77 669 803**	**(82 854 354)**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(1 298 944)	(628 025)
Investment in associates		(60 000)	-
Net cash used in investing activities		**(1 358 944)**	**(628 025)**
Cash flows from financing activities			
Repayment of term borrowings from the Parent Bank and other financial institutions		(29 094 929)	(3 269 808)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(833 714)	(2 094 177)
Dividends paid		(4 307 517)	(1 198 241)
Net cash used in financing activities		**(34 236 160)**	**(6 562 226)**
Change in accrued interest on cash and cash equivalents		(9 427)	30 330
Effect of exchange rate changes on cash and cash equivalents		1 025 548	(35 481)
Net increase/ (decrease) in cash and cash equivalents		**43 090 820**	**(90 049 756)**
Cash and cash equivalents at the beginning of the period		84 278 857	145 233 969
Cash and cash equivalents at the end of the period	7	**127 369 677**	**55 184 213**

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months period ended 30 September 2011 for ZAO Raiffeisenbank (hereinafter – the "Bank") and its subsidiaries (together referred to as the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a closed joint stock company limited by shares and was set up in accordance with the Russian regulations. The Bank is owned by Raiffeisen Bank International AG and Raiffeisen-Invest-Gesellschaft m.b.h., subsidiaries of Raiffeisen Zentralbank Osterreich AG (the "Parent Bank"), which is the ultimate controlling parent of the Group.

Principal activity. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management, pension and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law №177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 September 2011 the Group had 18 branches within the Russian Federation and 172 outlets (31 December 2010: 22 branches and 173 outlets). During 2010 and 2011 the Bank reorganized regional branches into outlets following the process of harmonization of the regional network.

The number of the Group's employees as at 30 September 2011 was 8 583 (31 December 2010: 8 508).

Registered address and place of business. The Bank's registered address is: 17/1 Troitskaya Str., 129090 Moscow, Russian Federation. The Bank's main place of business is: 15A Leninsky prospect, 119071 Moscow, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in Russian Roubles ("RR"), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates.

The continuing recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010 and 2011, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased money market liquidity levels.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 23). The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks operating in the Russian Federation.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

Management is unable to predict all developments which could have an impact on the banking sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2010.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

At 30 September 2011 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 31.8751 (31 December 2010: USD 1 = 30.4769 RR) and EUR 1 = 43.3979 (31 December 2010: EUR 1 = 40.3331).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2010, became effective for the Group from 1 January 2011. They have not significantly affected this consolidated condensed interim financial information of the Group. Refer to Note 5.

***Interim period measurement*.** Interim period income tax expense is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

Changes in presentation. The reclassification in amount of RR 449 779 thousand was done from "Interest income" to "Fee and commission income" for nine-month period ended 30 September 2010. This reclassification reflected the nature of fees collected.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 690 923 thousand (2010: RR 710 225 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 248 743 thousand (2010: RR 369 950 thousand), respectively.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

Special purpose entities. Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity (SPE) indicates that the special purpose entity is controlled by the Group. In assessing ability of the Group to control the special purpose entities, Management takes into consideration the following factors presented in SIC 12 "Consolidation – special purpose entities":

(i) SPE activities are being conducted on behalf of the Bank as it was set up to satisfy specific business needs of the Group (issue of asset-backed securities);

(ii) Rewards taken by SPE are transferred to the Bank in the form of dividends on a preference share held by the Bank; and

(iii) Risks including credit risk are assumed by the Bank through the purchase of Subordinated notes.

Non-consolidation of the special purpose entity would decrease the Group's total assets by RR 1 733 270 thousand as at 30 September 2011 (31 December 2010: RR 2 948 261 thousand). The impact on the consolidated profit after tax would be a decrease by RR 201 936 thousand for nine-month period ended 30 September 2011 (for nine-month period ended 30 September 2010: a decrease by RR 22 351 thousand).

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2011:

Classification of Rights Issues – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment did not have impact on this consolidated condensed interim financial information.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The amendment did not have impact on this consolidated condensed interim financial information.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. IFRIC 19 did not have impact on this consolidated condensed interim financial information.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment did not have impact on this consolidated condensed interim financial information.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment did not have impact on this consolidated condensed interim financial information.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interest that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The amendment did not have a material impact on this consolidated condensed interim financial information.

Unless otherwise described above, the new standards and interpretations did not significantly affect the Group's financial reporting.

6 New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2011 or later periods and which the Group has not early adopted:

IFRS 10, Consolidated financial statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 11, Joint arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group does not expect the amendments to have any effect on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 12, Disclosure of interest in other entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendment to IAS 1, Presentation of financial statements (issued in June 2011 and effective for annual periods beginning on or after 1 July 2012). The amendment requires the entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendment also changes the title for the statement of comprehensive income to ‘statement of profit or loss and other comprehensive income’. The Group does not expect the amendment to have any material effect on its financial statements.

Amendment to IAS 19, Employee benefits (issued in June 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits. The amendment also changes disclosures for all employee benefits. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

Other revised standards and interpretations. The amendments to IFRS 1 “First-time adoption of IFRS”, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, will not have any impact on these financial statements. The amendment to IAS 12 “Income taxes”, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on these financial statements.

The Group has not early adopted the new standards or interpretations described above in its last annual financial statements that come into effect for the Group’s accounting periods beginning on or after 1 January 2012 or later periods.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Cash on hand	19 940 344	19 639 061
Cash balances with the CBRF (other than mandatory reserve deposits)	11 122 629	24 349 214
Correspondent accounts and overnight placements with other banks		
- Russian Federation	3 127 233	5 743 136
- Other countries	71 861 550	23 681 028
Placements with other banks with original maturities of less than three months	3 350 000	1 308 642
Reverse securities sale and repurchase agreements with other banks with original maturities of less than three months	17 967 921	9 557 776
Total cash and cash equivalents	**127 369 677**	**84 278 857**

At 30 September 2011 cash equivalents in the amount of RR 17 967 921 thousand (31 December 2010: RR 9 557 776 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 19 892 852 thousand (31 December 2010: RR 10 971 360 thousand). At 30 September 2011 included within correspondent accounts and overnight placements with other banks is a cash reserve facility placed under the terms of an asset backed securities program in the amount of RR 1 345 thousand (31 December 2010: RR 989 994 thousand).

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under “reverse-repo agreements” with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

8 Trading Securities

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Corporate bonds	37 112 281	31 233 102
Federal loan bonds (OFZ)	5 820 376	3 509 158
Corporate eurobonds	4 867 813	11 537 792
Municipal bonds	3 243 832	2 542 342
Bonds of the European Bank for Reconstruction and Development (EBRD)	1 549 100	4 400 238
Bonds of Central Bank of Russia	-	386 155
Total debt trading securities	**52 593 402**	**53 608 787**
Corporate shares	-	4 819
Total trading securities	**52 593 402**	**53 613 606**

Estimation of fair value of trading securities is based on their market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators separately on these securities.

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

At 30 September 2011 and 31 December 2010 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

As at 30 September 2011 and 31 December 2010 no debt trading securities are past due or impaired.

9 Other Securities at Fair Value Through Profit or Loss

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Corporate bonds	3 382 367	1 946 057
Mutual funds	951 958	45 450
Municipal bonds	571 424	418 374
Federal loan bonds (OFZ)	474 601	237 044
Corporate eurobonds	8 470	4 286
Bonds of the European Bank for Reconstruction and Development (EBRD)	-	48 816
Bonds of Central Bank of Russia	-	15 053 197
Total other debt securities at fair value through profit and loss	**5 388 820**	**17 753 224**
Corporate shares	545 641	651 874
Total other securities at fair value through profit or loss	**5 934 461**	**18 405 098**

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor impairment indicators.

Currency, geographical and liquidity analysis of other securities at fair value through profit or loss are disclosed in Note 22.

10 Due from Other Banks

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Short-term placements with other banks with original maturities of more than three months and less than one year	4 183 602	15 104 374
Long-term placements with other banks with original maturities of more than one year	1 046 201	6 620 339
Total due from other banks	**5 229 803**	**21 724 713**

As at 30 September 2011 and 31 December 2010 due from other banks are neither past due nor impaired.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

11 Loans and Advances to Customers

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Loans to corporate customers (Corporate loans)	289 404 605	225 007 721
Loans to individuals (Retail loans)	100 888 605	78 368 442
Loans to small and medium entities (SME loans)	7 111 684	5 159 529
Loans to state and municipal organisations (Public sector)	1 236 637	1 593 833
Finance lease receivables	-	324 406
Total gross loans and advances to customers	**398 641 531**	**310 453 931**
Less: Provision for loan impairment	(26 029 591)	(26 890 012)
Total loans and advances to customers	**372 611 940**	**283 563 919**

Movements in the provision for loan impairment during nine-month period ended 30 September 2011 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 January 2011	**18 421 049**	**7 326 085**	**1 107 922**	**34 956**	**26 890 012**
Provision for impairment during the period	654 380	494 644	23 615	20 067	1 192 706
Provisions on disposed loans	(1 610 623)	(79 997)	(60 001)	-	(1 750 621)
Amounts written off during the period as uncollectible	(147 797)	(2 027)	(152 682)	-	(302 506)
Provision for loan impairment at 30 September 2011 (Unaudited)	**17 317 009**	**7 738 705**	**918 854**	**55 023**	**26 029 591**

Movements in the provision for loan impairment during three-month period ended 30 September 2011 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 July 2011 (Unaudited)	**17 157 933**	**7 412 027**	**1 051 593**	**48 394**	**25 669 947**
Provision for impairment during the period	803 567	326 678	32 666	6 629	1 169 540
Provisions on disposed loans	(644 491)	-	(36 708)	-	(681 199)
Amounts written off during the period as uncollectible	-	-	(128 697)	-	(128 697)
Provision for loan impairment at 30 September 2011 (Unaudited)	**17 317 009**	**7 738 705**	**918 854**	**55 023**	**26 029 591**

11 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during nine-month period ended 30 September 2010 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 January 2010	**16 547 947**	**8 015 311**	**1 183 742**	**40 673**	**25 787 673**
Provision for impairment during the period	1 312 292	1 096 038	28 945	60 854	2 498 129
Provisions on disposed loans	(919 397)	(1 270 141)	(58 547)	-	(2 248 085)
Amounts written off during the period as uncollectible	(470 371)	-	(23 385)	-	(493 756)
Provision for loan impairment at 30 September 2010 (Unaudited)	**16 470 471**	**7 841 208**	**1 130 755**	**101 527**	**25 543 961**

Movements in the provision for loan impairment during three-month period ended 30 September 2010 are as follows:

In thousands of Russian Roubles	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 July 2010 (Unaudited)	**16 738 370**	**8 058 488**	**1 183 732**	**115 766**	**26 096 356**
Provision/(release) for impairment during the period	651 498	(74 813)	(51 495)	(14 239)	510 951
Provisions on disposed loans	(919 397)	(142 467)	(1 482)	-	(1 063 346)
Amounts written off during the period as uncollectible	-	-	-	-	-
Provision for loan impairment at 30 September 2010 (Unaudited)	**16 470 471**	**7 841 208**	**1 130 755**	**101 527**	**25 543 961**

During the nine-month period ended 30 September 2011 the Bank disposed off loans to customers under cession agreements with the total amount of RR 3 287 571 thousand (nine-month period ended 30 September 2010: RR 2 248 085 thousand). As of the date of disposal during the nine-month period ended 30 September 2011 these loans were provided for impairment in the total amount of RR 1 750 621 thousand (nine-month period ended 30 September 2010: RR 2 248 085 thousand). The net financial result of a loan disposal during the nine-month period ended 30 September 2011 recognized in the statement of comprehensive income was a gain of RR 1 070 434 thousand (nine-month period ended 30 September 2010: RR 450 440 thousand).

11 Loans and Advances to Customers (Continued)

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

	30 September 2011 (Unaudited)		31 December 2010	
In thousand of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	100 888 605	25.31%	78 368 442	25.24%
Manufacturing	79 606 646	19.97%	75 481 311	24.31%
Real estate	75 762 935	19.01%	66 999 038	21.58%
Trade	54 776 159	13.74%	37 659 210	12.13%
Mining	40 524 507	10.17%	17 042 596	5.49%
Transport, storage and communication	20 740 099	5.20%	12 143 098	3.91%
Electricity, gas and water supply	8 156 467	2.05%	7 278 952	2.34%
Financial services	5 658 097	1.42%	5 569 703	1.79%
Agriculture, hunting and forestry	5 715 356	1.43%	3 327 594	1.07%
Hotels and restaurants	3 214 341	0.81%	2 954 047	0.95%
Cities and municipalities	1 185 859	0.30%	1 533 587	0.49%
Other	2 412 460	0.59%	2 096 353	0.70%
Total loans and advances to customers (before impairment provision)	**398 641 531**	**100.00%**	**310 453 931**	**100.00%**

Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

12 Investment Securities Available for Sale

In thousands of Russian Roubles	**30 September 2011 (Unaudited)**	**31 December 2010**
Corporate bonds	10 517 343	10 617 267
Corporate shares	597 818	469 305
Total investment securities available for sale	**11 115 161**	**11 086 572**

Due to the absence of an active market for the corporate bond included in the investment securities available for sale category and also due to the low level of trading activity with this particular bond, for the purposes of the estimation of the fair value of this instrument, Management implemented a valuation technique based on the yield-to-maturity of comparable benchmark instruments, currently actively quoted in the market.

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 22.

13 Investment Securities Held to Maturity

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Corporate bonds	504 874	516 346
Total gross investment securities held to maturity	**504 874**	**516 346**
Less: Provision for impairment	(9 461)	(4 198)
Total investment securities held to maturity	**495 413**	**512 148**

Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 22.

14 Derivatives and Other Financial Assets

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Fair value of currency rate based financial derivatives	6 664 579	2 064 010
Fair value of interest rate based financial derivatives	3 245 363	3 626 608
Plastic card receivables	424 241	631 733
Trade receivables	46 146	14 815
Total derivatives and other financial assets	**10 380 329**	**6 337 166**

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

15 Due to Other Banks

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Correspondent accounts and overnight placements of other banks	16 795 159	14 800 075
Short-term placements of other banks	2 524 630	4 910 050
Long-term placements of other banks	724 856	825 101
Total due to other banks	**20 044 645**	**20 535 226**

At 30 September 2011 included within correspondent accounts and overnight placements of other banks is a cash facility placed by the Parent Bank under the terms of cash reserve facility agreement and in relation to asset backed securities program in the amount of RR 999 877 thousand (31 December 2010: RR 956 018 thousand).

At 30 September 2011 included in due to banks are deposits of RR 382 257 thousand (31 December 2010: RR 135 747 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 23.

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

16 Customer Accounts

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
State and public organisations		
- Current/settlement accounts	560 939	266 022
- Term deposits	8 034 588	5 818
Legal entities		
- Current/settlement accounts	89 540 133	68 785 155
- Term deposits	122 110 431	57 022 981
Individuals		
- Current/demand accounts	78 528 213	66 147 355
- Term deposits	113 116 432	94 516 827
Total customer accounts	**411 890 736**	**286 744 158**

At 30 September 2011 the Group had three customers (31 December 2010: no customer) with a balance above 10% of consolidated equity of the Group as at this date. The aggregated balance of these customers was RR 35 096 218 thousand (31 December 2010: n/a) or 8.52% (31 December 2010: n/a) of total customer accounts.

At 30 September 2011 included in customer accounts are deposits of RR 615 275 thousand (31 December 2010: RR 92 841 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 23.

At 30 September 2011 included in customer accounts are deposits of RR 2 407 398 thousand (31 December 2010: RR 2 073 969 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 23.

Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 22. The information on related party balances is disclosed in Note 24.

17 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Fair value of currency rate based financial derivatives	5 756 623	724 141
Fair value of interest rate based financial derivatives	4 273 261	4 867 803
Provision for credit related commitments	1 984 443	1 643 011
Plastic cards payables	541 486	242 886
Commission on credit related commitments	59 018	49 405
Trade payables	8 239	9 642
Settlements on conversion operations	-	48 810
Other	47 468	6 048
Total derivatives and other financial liabilities	**12 670 538**	**7 591 746**

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 22. Information on related party transactions is presented in Note 24.

18 Interest Income and Expense

In thousands of Russian Roubles	**Nine-Month Period Ended 30 September 2011 (Unaudited)**	**Three-Month Period Ended 30 September 2011 (Unaudited)**	**Nine-Month Period Ended 30 September 2010 (Unaudited)**	**Three-Month Period Ended 30 September 2010 (Unaudited)**
Interest income				
Loans and advances to customers	21 651 667	7 656 115	18 819 313	6 098 516
Trading securities	3 089 921	1 178 838	2 358 860	864 337
Due from other banks	1 246 749	437 679	1 007 421	393 213
Investment securities available for sale	1 012 263	339 345	1 012 286	363 333
Interest income on impaired financial assets	250 885	57 792	455 841	140 841
Debt securities held to maturity	40 889	13 783	798	-
Other securities at fair value through profit and loss	5 708	1 916	5 970	2 185
Total interest income	**27 298 082**	**9 685 468**	**23 660 489**	**7 862 425**
Interest expense				
Term deposits of individuals	3 226 058	1 144 367	3 108 442	949 806
Term deposits of legal entities	2 079 114	988 681	1 206 361	438 039
Term borrowings from the Parent Bank	1 489 819	438 805	1 821 691	635 008
Debt securities in issue	1 303 218	435 485	1 015 156	342 780
Current/settlement accounts	678 313	294 287	333 339	114 490
Term placements of other banks	198 919	97 915	232 340	118 622
Term borrowings from other financial institutions	34 059	5 037	75 206	22 642
Correspondent accounts of other banks	11 353	4 372	3 381	1 181
Total interest expense	**9 020 853**	**3 408 949**	**7 795 916**	**2 622 568**
Net interest income	**18 277 229**	**6 276 519**	**15 864 573**	**5 239 857**

19 Fee and Commission Income and Expense

In thousands of Russian Roubles	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)	Nine-Month Period Ended 30 September 2010 (Unaudited)	Three-Month Period Ended 30 September 2010 (Unaudited)
Fee and commission income				
Commissions on operations with plastic cards	2 526 246	951 372	2 002 801	737 519
Commissions on settlement transactions	821 602	281 132	1 006 946	400 468
Commissions on documentary business and guarantees	684 250	240 964	604 654	223 476
Commissions on cash operations	589 502	206 863	527 376	215 324
Credit facility fee	507 223	150 689	477 976	194 872
Insurance commission income	362 860	149 232	215 853	90 886
Commissions on export operations	282 786	111 991	279 292	114 788
Fiduciary activities	265 806	80 890	218 301	79 928
Commissions from investment banking	262 824	115 044	277 989	69 245
Commissions on transfer payments	251 326	98 540	251 085	65 780
Early and late repayment fees	244 385	53 322	287 280	23 209
Commissions on transactions with securities	95 900	24 648	89 191	28 545
Commission income on foreign exchange operations	44 139	15 542	51 893	16 454
Other	356 116	172 761	294 117	64 891
Total fee and commission income	**7 294 965**	**2 652 990**	**6 584 754**	**2 325 385**
Fee and commission expense				
Commissions on operations with plastic cards	791 422	308 542	516 645	205 232
Commissions on settlement transactions	344 875	112 430	107 552	36 733
Commissions on transfer payments	180 969	69 222	115 870	43 669
Commissions on cash operations	162 397	64 309	176 579	59 534
Commissions on transactions with securities	43 919	16 455	44 297	12 546
Commissions on documentary business	13 894	4 896	12 266	4 059
Credit facility fee	5 937	-	111 466	64 543
Other	58 566	24 528	74 680	23 396
Total fee and commission expense	**1 601 979**	**600 382**	**1 159 355**	**449 712**
Net fee and commission income	**5 692 986**	**2 052 608**	**5 425 399**	**1 875 673**

20 Administrative and Other Operating Expenses

In thousands of Russian Roubles	**Nine-Month Period Ended 30 September 2011 (Unaudited)**	**Three-Month Period Ended 30 September 2011 (Unaudited)**	**Nine-Month Period Ended 30 September 2010 (Unaudited)**	**Three-Month Period Ended 30 September 2010 (Unaudited)**
Staff costs	7 032 736	2 336 305	5 931 862	1 951 782
Rent expenses	1 635 814	533 928	1 699 828	579 268
Depreciation of premises and equipment	1 108 330	383 972	1 154 787	435 457
IT services	757 128	277 689	569 330	182 972
Premises and equipment maintenance expenses	600 004	199 953	568 193	193 229
Deposit insurance fee	501 383	176 239	416 597	140 654
Advertising and marketing	454 446	189 468	409 587	191 876
Amortisation and write-off of intangible assets	430 048	218 451	362 301	137 836
Communication expenses	367 847	138 037	336 268	125 745
Security expenses	240 801	80 914	312 862	89 263
Professional services	222 132	23 502	151 904	8 705
Taxes other than on income	208 022	118 749	121 465	41 535
Other	643 314	327 978	671 429	259 130
Total administrative and other operating expenses	**14 202 005**	**5 005 185**	**12 706 413**	**4 337 452**

21 Segment Analysis

Operating Segments

The Supervisory Board monitors the results and is the chief operating decision maker (CODM). The Supervisory Board of the Bank consists of Management Board members of the Parent Bank. The Parent Bank is a holding company that controls the strategic and operating decisions of the Group. The Parent Bank monitors its business by geographic segment where the Group represents a separate segment "Russia". Therefore, the Group’s format for reporting segment information is the geographical segment Russia. The Supervisory Board regularly meets at least on a quarterly basis. The Management Board informs the Supervisory Board in a timely and comprehensive manner about the issues relevant to the business development of the Group, including the Group’s risk situation, risk management and that of Group entities. The Supervisory Board discusses with the Management Board the strategic orientation, makes respective decisions and monitors regularly the status of the strategy’s implementation at regular intervals.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on the Group reporting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) Information comprises consolidated result of the Bank and Roof Russia S.A. (SPE of the Bank);

(ii) Certain classification differences exist between the information presented to CODM and consolidated condensed interim financial information.

21 Segment Analysis (Continued)

Segment information for the Russia (as a segment of the Group) is calculated and set out below:

In thousands of Russian Roubles	**Nine-Month Period Ended 30 September 2011 (Unaudited) Russia/Total**	**Three-Month Period Ended 30 September 2011 (Unaudited) Russia/Total**	**Nine-Month Period Ended 30 September 2010 (Unaudited) Russia/Total**	**Three-Month Period Ended 30 September 2010 (Unaudited) Russia/Total**
External revenues:				
Interest and similar income	28 986 729	10 572 626	26 347 448	8 358 542
Fee and commission income	8 642 707	3 161 646	7 377 300	2 564 512
Total revenue	**37 629 436**	**13 734 272**	**33 724 748**	**10 923 054**
Interest and similar expense	(11 708 095)	(4 389 679)	(11 559 190)	(3 511 942)
Fee and commission expense	(1 596 969)	(526 604)	(1 156 367)	(449 309)
Provision for loan impairment	(370 917)	(876 291)	(2 533 015)	(583 557)
Trading result	1 583 837	(686 458)	2 360 939	707 954
Valuation result from hedge accounting and other derivative instruments	151 202	726 798	(692 444)	(92 834)
Net income from investments	1 495	6 598	61 699	43 794
Depreciation and amortization	(1 534 330)	(600 985)	(1 512 997)	(572 022)
Other administrative expenses	(11 891 636)	(4 003 838)	(10 434 297)	(3 507 200)
Other operating (loss)/profit	(216 968)	(70 694)	(552 192)	(181 429)
Income taxes	(3 061 985)	(1 086 489)	(1 951 063)	(653 963)
Segment result	**8 985 070**	**2 226 630**	**5 755 821**	**2 122 546**

Based on domicile of the customers substantially all of the revenues are from Russian customers.

Major ratio calculations for the reportable segment of the Group for the nine-months period ended 30 September 2011 and the year ended 31 December 2010 are set out below:

In thousands of Russian Roubles	**30 September 2011 (Unaudited) Russia/Total**	**31 December 2010 Russia/Total**
Total segment assets	**616 785 582**	**508 304 702**
Total segment liabilities	**526 186 984**	**422 396 384**
Capital expenditure	**1 298 944**	**2 494 394**
Cost/income ratio	51.05%	54.51%
Average equity	88 253 458	82 507 163
Return on equity before tax	18.24%	11.41%
Return on equity after tax	13.65%	8.83%

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets.

21 Segment Analysis (Continued)

Reconciliation of segment revenues, segment result and other material items is presented below.

In thousands of Russian Roubles	Nine-Month Period Ended 30 September 2011 (Unaudited) Russia/Total	Three-Month Period Ended 30 September 2011 (Unaudited) Russia/Total	Nine-Month Period Ended 30 September 2010 (Unaudited) Russia/Total	Three-Month Period Ended 30 September 2010 (Unaudited) Russia/Total
Total revenue for segment	**37 629 436**	**13 805 894**	**33 724 748**	**10 923 054**
Reclassification of interest income to trading result	(1 813 839)	(785 943)	(2 771 094)	(465 846)
Reclassification of commission income to trading result	(1 511 836)	(584 059)	(1 425 228)	(496 392)
Reclassification of provision for loan impairment to interest income and unwinding effect	259 302	54 065	500 675	222 638
Effect of the consolidation of the subsidiaries and other adjustments	29 984	(151 499)	216 143	4 356
Total revenue	**34 593 047**	**12 338 458**	**30 245 243**	**10 187 810**

Total revenue comprises interest and similar income and fee and commission income.

Reconciliation of reportable segment result is presented below.

In thousands of Russian Roubles	Nine-Month Period Ended 30 September 2011 (Unaudited) Russia/Total	Three-Month Period Ended 30 September 2011 (Unaudited) Russia/Total	Nine-Month Period Ended 30 September 2010 (Unaudited) Russia/Total	Three-Month Period Ended 30 September 2010 (Unaudited) Russia/Total
Total segment result	**8 985 070**	**2 226 630**	**5 755 821**	**2 122 546**
Less/(Additional) income tax based on tax declaration submitted	18 228	(41 902)	(69 702)	(147 622)
Consolidation of subsidiaries and associate	(18 246)	(103 051)	75 598	37 225
Intercompany adjustments	47 099	198 738	465 541	465 284
Profit after tax	**9 032 151**	**2 280 415**	**6 227 258**	**2 477 433**

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2011 is as follows:

In thousands of Russian Roubles	Total amount for reportable segment	Reclassifi-cations	Consolidation of the subsi-diaries and associate and other	As reported under IFRS
Material income or expenses for the nine-month period ended 30 September 2011				
External revenues, including				
- Interest and similar income	28 986 729	(1 554 537)	(134 110)	27 298 082
- Fee and commission income	8 642 707	(1 511 836)	164 094	7 294 965
Interest and similar expense	(11 708 095)	2 673 658	13 584	(9 020 853)
Fee and commission expense	(1 596 969)	-	(5 010)	(1 601 979)
Provision for loan impairment	(370 917)	(259 302)	166 515	(463 704)
Trading result	1 583 837	420 702	14 375	2 018 914
Valuation result from hedge accounting and other derivative instruments	151 202	118 981	(782)	269 401
Net income from investments	1 495	112 334	(62 571)	51 258
Depreciation and amortization	(1 534 330)	-	(4 048)	(1 538 378)
Other administrative expenses	(11 891 636)	-	(23 440)	(11 915 076)
Other operating (loss)/profit	(216 968)	-	(99 754)	(316 722)
Income taxes	(3 061 985)	-	18 228	(3 043 757)

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2011 is as follows:

In thousands of Russian Roubles	Total amount for reportable segment	Reclassifi-cations	Consolidation of the subsi-diaries and associate and other	As reported under IFRS
Material income or expenses for the three-month period ended 30 September 2011				
External revenues, including				
- Interest and similar income	10 572 626	(731 878)	(155 280)	9 685 468
- Fee and commission income	3 233 268	(584 059)	3 781	2 652 990
Interest and similar expense	(4 389 679)	976 553	4 177	(3 408 949)
Fee and commission expense	(598 226)	-	(2 156)	(600 382)
Provision for loan impairment	(876 291)	(54 066)	298 081	(632 276)
Trading result	(686 458)	230 428	62 522	(393 508)
Valuation result from hedge accounting and other derivative instruments	726 798	163 018	(807)	889 009
Net income from investments	6 598	4	(49 638)	(43 036)
Depreciation and amortization	(600 985)	-	(1 438)	(602 423)
Other administrative expenses	(4 003 838)	-	(19 148)	(4 022 986)
Other operating (loss)/profit	(70 694)	-	(44 407)	(115 101)
Income taxes	(1 086 489)	-	(41 902)	(1 128 391)

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2010 is as follows:

In thousands of Russian Roubles	Total amount for reportable segment	Reclassifi-cations	Consolidation of the subsi-diaries and associate and other	As reported under IFRS
Material income or expenses for the nine-month period ended 30 September 2010				
External revenues, including				
- Interest and similar income	26 347 448	(2 270 419)	33 239	24 110 268
- Fee and commission income	7 377 300	(1 425 228)	182 903	6 134 975
Interest and similar expense	(11 559 190)	3 757 428	5 846	(7 795 916)
Fee and commission expense	(1 156 367)	-	(2 988)	(1 159 355)
Provision for loan impairment including provisions for credit related commitments and gains on the sale of loans	(2 533 015)	(500 675)	439 760	(2 593 930)
Trading result	2 360 939	(427 715)	(61 911)	1 871 313
Valuation result from hedge accounting and other derivative instruments	(692 444)	323 062	(3 396)	(372 778)
Net income from investments	61 699	543 547	29 965	635 211
Depreciation and amortization	(1 512 997)	-	(4 091)	(1 517 088)
Other administrative expenses	(10 434 297)	-	(83 599)	(10 517 896)
Other operating (loss)/profit	(552 192)	-	5 411	(546 781)
Income taxes	(1 951 063)	-	(69 702)	(2 020 765)

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2010 is as follows:

In thousands of Russian Roubles	**Total amount for reportable segment**	**Reclassifi-cations**	**Consolidation of the subsi-diaries and associate and other**	**As reported under IFRS**
Material income or expenses for the three-month period ended 30 September 2010				
External revenues, including				
- Interest and similar income	8 358 542	(243 208)	(62 075)	8 053 259
- Fee and commission income	2 564 512	(496 392)	66 431	2 134 551
Interest and similar expense	(3 511 942)	892 320	(2 946)	(2 622 568)
Fee and commission expense	(449 309)	-	(403)	(449 712)
Provision for loan impairment including provisions for credit related commitments and gains on the sale of loans	(583 557)	(222 638)	513 687	(292 508)
Trading result	707 954	(602 014)	292 244	398 184
Valuation result from hedge accounting and other derivative instruments	(92 834)	128 385	(9 830)	25 721
Net income from investments	43 794	543 547	(265 957)	321 384
Depreciation and amortization	(572 022)	-	(1 271)	(573 293)
Other administrative expenses	(3 507 200)	-	2 171	(3 505 029)
Other operating (loss)/profit	(181 429)	-	(29 542)	(210 971)
Income taxes	(653 963)	-	(147 622)	(801 585)
		-		

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprises gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, net of gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.

The reconciling items are attributable to the following.

Reclassification in Interest and similar expense for nine-month period ended 30 September 2011:

- reclassification of interest expenses from deposits which are the hedged items in Cash flow hedge from interest and similar expenses to trading result in the amount RR 41 762 (for nine-month period ended 30 September 2010: RR 99 422 thousand);

- reclassification of computed refinancing cost of trading portfolio from trading result to interest and similar expenses in the amount RR 1 246 390 thousand (for nine-month period ended 30 September 2010: RR 867 335 thousand); and

- reclassification of computed refinancing cost of other securities at fair value through profit or loss portfolio from gains less losses from other securities at fair value through profit or loss to interest and similar expenses in the amount RR 112 334 thousand (for nine-month period ended 30 September 2010: RR 543 547 thousand); and

21 Segment Analysis (Continued)

- reclassification of interest expenses from interest rate derivatives from interest and similar expenses to trading result in the amount of RR 3 990 620 thousand (for nine-month period ended 30 September 2010: RR 5 068 889 thousand).

Reclassification in Provision for loan impairment movement for the reporting period of the gross up of the loans acquired in the course of the business combination for interest and similar income and for provision for loan impairment and unwinding effect to interest and similar income in the amount of RR 259 302 thousand (for nine-month period ended 30 September 2010: RR 500 675 thousand).

Reclassification in Trading result for nine-month period ended 30 September 2011:

- the total amount of reclassification from Trading result to Interest and similar expenses is equal to the amount of RR 1 358 724 thousand (for nine-month period ended 30 September 2010: RR 867 335 thousand);

- the total amount of reclassification to Trading result from Interest and similar expenses is equal to the amount of RR 3 990 620 thousand (for nine-month period ended 30 September 2010: RR 5 068 889 thousand);

- reclassification of interest income from interest rate derivatives from interest and similar income to trading result in the amount of RR 4 895 694 thousand (for nine-month period ended 30 September 2010: RR 5 126 609 thousand);

- reclassification of ineffective part from hedge accounting from valuation result from hedge accounting and other derivative instruments to trading result in the amount of RR minus 118 981 thousand RUB (for nine-month period ended 30 September 2010: minus RR 323 062 thousand);

- reclassification of coupon income for trading securities from trading result to interest income in the amount of RR 3 083 938 thousand (for nine-month period ended 30 September 2010: RR 2 349 220 thousand);

- reclassification of the result on clients' foreign exchange transactions from commission income to trading result in the amount of RR 119 278 thousand (for nine-month period ended 30 September 2010: 209 907 thousand).

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues.

22 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and credit risk concentrations. The primary objectives of the financial risk management function are to identify and assess risks, establish risk limits, assume risk mitigation measures, ensure that all material risks are measured and limited, and that business in general is evaluated under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2010.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates, exchange rates, equity prices, commodity prices and credit spreads which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on and off balance sheet positions in the Bank's treasury, investment banking and lending operations.

22 Financial Risk Management (Continued)

The Group's market risk management approach encompasses the recognition, measurement, monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non trading activities (including interest rate positions, balance sheet structures and hedging positions).

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks, including monitoring position limits and exposures.

The Bank's market risk management unit also assesses market risk for new businesses and products, including structured products. The Treasury Directorate, which trades within trading limits recommended by the market risk management unit and approved by the ALCO / CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Bank's market risk management unit is in charge of daily limit monitoring and weekly reporting to the Parent Bank, and is responsible for reporting any limited breach to the Parent Bank. In the case of a limit breach, the Parent Bank board member responsible for global treasury has the right to intervene in the Bank's risk management activities and practices.

The Bank uses an interest rate sensitivity analysis to assess interest rate risk for its banking portfolio, which consists of loans, deposits, interbank money market transactions, fixed-income held-to-maturity securities and interest rate derivatives and for its trading portfolio, which consists of fixed income trading securities. The Group creates an interest rate repricing gap for each portfolio by comparing the present market value of all future cash flows calculated taking the current market interest rate that the Bank uses for internal pricing, against the value of all future cash flows in the current market increased by one basis point.

The Bank uses set of position limits to prevent the concentration of certain financial instruments, including trading securities and open foreign exchange positions, as well as in the Bank's overall portfolio, in order to maintain the market value of the overall portfolio. The position limits are set for individual positions and for the overall portfolio and account for certain market conditions, including liquidity.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations).

Foreign exchange risk management is done centrally by the Treasury Directorate for the Bank's Head Office and all regional and Moscow branches.

The Bank's Treasury Directorate undertakes daily aggregation of the currency position of the Bank and takes measures for maintaining of the Bank's currency position on a minimum level. The Bank uses swaps, forwards and USD futures contracts tradable on MICEX and RTS as the main instruments for hedging risk.

22 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2011:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Less fair value of currency derivatives**	**Currency derivatives**	**Net position including currency derivatives**
Russian Roubles	312 970 614	325 196 066	526 749	85 983 039	73 230 838
US Dollars	230 987 309	107 081 135	366 227	(127 284 214)	(3 744 267)
Euros	40 056 881	87 556 471	(1 646)	45 808 953	(1 688 991)
Other	5 910 870	1 661 979	16 628	(3 599 820)	632 443
Total	**589 925 674**	**521 495 651**	**907 958**	**907 958**	**68 430 023**

The Group's exposure to foreign currency exchange rate risk at 31 December 2010 is presented below:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Less fair value of currency derivatives**	**Currency derivatives**	**Net position including currency derivatives**
Russian Roubles	277 551 857	213 619 146	1 186 828	9 589 839	72 335 722
US Dollars	168 865 651	124 098 054	22 567	(52 969 469)	(8 224 439)
Euros	28 351 541	79 187 679	127 941	50 419 999	(544 080)
Other	6 641 992	990 892	2 533	(5 700 500)	(51 933)
Total	**481 411 041**	**417 895 771**	**1 339 869**	**1 339 869**	**63 515 270**

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.

22 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 September 2011 is set out below:

In thousands of Russian Roubles	**Russia**	**Austria**	**Other European Union**	**Other countries**	**Total**
Assets					
Cash and cash equivalents	55 508 308	65 657 318	4 136 087	2 067 964	127 369 677
Mandatory cash balances with the Central bank of the Russian Federation	5 338 947	-	-	-	5 338 947
Trading securities	51 039 081	-	1 549 100	5 221	52 593 402
Other securities at fair value through profit or loss	4 982 503	-	-	951 958	5 934 461
Due from other banks	4 928 989	24 504	-	276 310	5 229 803
Loans and advances to customers	369 031 513	1 599 604	1 043 356	937 467	372 611 940
Investment securities available for sale	10 517 343	-	-	597 818	11 115 161
Investment securities held-to-maturity	495 413	-	-	-	495 413
Derivatives and other financial assets	3 805 018	4 114 403	2 223 760	237 148	10 380 329
Total financial assets	**505 647 115**	**71 395 829**	**8 952 303**	**5 073 886**	**591 069 133**
Liabilities					
Due to other banks	16 376 265	1 644 688	1 296 324	727 368	20 044 645
Customer accounts	407 018 112	1 348 963	2 694 791	828 870	411 890 736
Term borrowings from the Parent Bank	-	57 282 072	-	-	57 282 072
Term borrowings from other financial institutions	384 869	1 674 769	347 451	1 652 965	4 060 054
Debt securities in issue	15 547 606	-	-	-	15 547 606
Derivatives and other financial liabilities	4 029 290	3 618 010	4 524 654	498 584	12 670 538
Total financial liabilities	**443 356 142**	**65 568 502**	**8 863 220**	**3 707 787**	**521 495 651**
Net balance sheet position	**62 290 973**	**5 827 327**	**89 083**	**1 366 099**	**69 573 482**
Credit related commitments (Note 23)	**193 857 203**	**2 019 396**	**3 441 021**	**306 343**	**199 623 963**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand have been allocated based on the country in which they are physically held.

22 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2010 is set out below:

In thousands of Russian Roubles	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	60 594 432	16 489 458	3 006 510	4 188 457	84 278 857
Mandatory cash balances with the Central bank of the Russian Federation	2 698 403	-	-	-	2 698 403
Trading securities	49 208 549	-	4 405 057	-	53 613 606
Other securities at fair value through profit or loss	18 277 613	-	49 072	78 413	18 405 098
Due from other banks	3 132 553	18 317 877	-	274 283	21 724 713
Loans and advances to customers	279 544 991	1 649 029	1 197 808	1 172 091	283 563 919
Investment securities available for sale	10 617 267	-	-	469 305	11 086 572
Investment securities held-to-maturity	512 148	-	-	-	512 148
Derivatives and other financial assets	984 014	3 922 800	1 291 383	138 969	6 337 166
Total financial assets	**425 569 970**	**40 379 164**	**9 949 830**	**6 321 518**	**482 220 482**
Liabilities					
Due to other banks	15 579 330	1 923 389	1 842 874	1 189 633	20 535 226
Customer accounts	281 514 079	761 130	3 245 088	1 223 861	286 744 158
Term borrowings from the Parent Bank	-	81 169 487	-	-	81 169 487
Term borrowings from other financial institutions	827 623	1 140 484	1 683 439	2 007 359	5 658 905
Debt securities in issue	16 196 249	-	-	-	16 196 249
Derivatives and other financial liabilities	2 358 160	3 537 798	1 624 830	70 958	7 591 746
Total financial liabilities	**316 475 441**	**88 532 288**	**8 396 231**	**4 491 811**	**417 895 771**
Net balance sheet position	**109 094 529**	**(48 153 124)**	**1 553 599**	**1 829 707**	**64 324 711**
Credit related commitments (Note 23)	**135 949 847**	**6 297 829**	**4 171 963**	**4 434 053**	**150 853 692**

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 30 September 2011 or 31 December 2010.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial 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. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

22 Financial Risk Management (Continued)

The Bank monitors expected maturities, which may be summarised as follows at 30 September 2011 and 31 December 2010:

In thousands of Russian Roubles	**Demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
At 30 September 2011					
Financial assets	252 404 195	101 317 619	195 330 312	42 017 007	591 069 133
Financial liabilities	352 469 694	88 911 531	78 416 194	1 698 232	521 495 651
Net liquidity gap based on expected maturities	**(100 065 499)**	**12 406 088**	**116 914 118**	**40 318 775**	**69 573 482**
At 31 December 2010					
Financial assets	223 405 842	88 683 854	136 168 782	33 962 004	482 220 482
Financial liabilities	229 447 278	112 004 171	73 957 189	2 487 133	417 895 771
Net liquidity gap based on expected maturities	**(6 041 436)**	**(23 320 317)**	**62 211 593**	**31 474 871**	**64 324 711**

The above given analyses are based on contractual maturities, except for the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability.

23 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received On the basis of its own estimates and internal professional advice Management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in these consolidated condensed interim financial statements.

Tax legislation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying the transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other or higher level courts in the future.

23 Contingencies and Commitments (Continued)

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Russian Roubles	**30 September 2011 (Unaudited)**	**31 December 2010**
Not later than 1 year	744 691	820 670
Later than 1 year and not later than 5 years	24 671	13 054
Total operating lease commitments	**769 362**	**833 724**

Compliance with covenants. The Group is subject to certain covenants related primarily to its other borrowed funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with covenants as at 30 September 2011.

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 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 authorising a third party to draw drafts on the Group 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.

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 Group 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.

23 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Undrawn credit lines	77 385 084	67 592 123
Undrawn commitments to issue documentary instruments	45 561 339	27 668 616
Guarantees issued	44 974 114	32 203 710
Overdraft facilities	15 722 724	14 088 199
Import letters of credit	10 397 116	6 946 223
Export letters of credit	5 583 586	2 354 821
Credit related commitments before provision	**199 623 963**	**150 853 692**
Less: Provision for credit related commitments	(1 984 443)	(1 643 011)
Total credit related commitments	**197 639 520**	**149 210 681**

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. Fair value of guarantee contracts was RR 12 940 thousand at 30 September 2011 (31 December 2010: RR 305 441 thousand). The total amount of irrevocable undrawn credit lines and overdraft facilities was RR 89 236 889 thousand at 30 September 2011 (31 December 2010: RR 39 400 427 thousand).

In thousands of Russian Roubles	30 September 2011 (Unaudited)	31 December 2010
Russian Roubles	137 026 942	85 559 685
US Dollars	47 421 016	49 299 040
Euro	15 150 330	15 977 514
Other	25 675	17 453
Total credit related commitments before provision	**199 623 963**	**150 853 692**

Assets pledged and restricted. Mandatory cash balances with the Bank of Russia in the amount of RR 5 338 947 thousand (31 December 2010: RR 2 698 403 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

As at 30 September 2011 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 7), which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 19 892 852 thousand (31 December 2010: RR 10 971 360 thousand).

24 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 30 September 2011, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidia-ries of the Parent Bank**	**Associate**	**Members of the Managing Board**	**Other related parties**
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.25 % - 1.00 % p.a.)	65 658 872	12 784	-	-	-
Due from other banks (contractual interest rate: 0.00 % - 7.89 % p.a.)	22 950	240 000	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.73 % – 12.86 % p.a.)	-	1 597 159	3 264 611	3 000	-
Purchased intangible assets less accumulated depreciation	152 880	-	-	-	-
Derivatives and other financial assets	4 114 403	130	-	-	-
Investments in associate	-	-	1 223 560	-	-
Due to other banks (contractual interest rate: 4.50 % – 5.25% p.a.)	30 833	638 710	-	-	-
Customer accounts (contractual interest rate: 0.50 % – 5.00 % p.a.)	5 215	4 550	4 922 388	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.28 % – 6.25% p.a.)	57 282 072	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.11 % p.a.)	-	-	-	-	2 059 638
Other liabilities	410 701	-	-	206 857	-
Derivatives and other financial liabilities	3 618 010	8 460	-	-	-

24 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 2011 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Interest income	288 327	28 044	123 731	3 604	-
Interest expense	(1 544 993)	(6 555)	(109 539)	-	(32 885)
Fee and commission income	38 458	4 709	2 724	-	-
Fee and commission expense	(37 049)	-	-	-	-
Gains less losses from trading in foreign currencies	19 868	18 932	3 900	-	-
Realized gains less losses/(losses, net of gains) from financial derivatives	(31 657)	(12 992)	-	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(134 328)	(6 648)	-	-	-
Ineffectiveness from the hedge accounting	(118 981)	-	-	-	-
Administrative and other operating expenses	(261 423)	(8 834)	-	(190 339)	-
Other operating income	90	-	2 405	-	-
Share of profit of associate	-	-	105 237	-	-

The income and expense items with related parties for the three-month period ended 30 September 2011 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Interest income	89 446	8 428	57 367	195	-
Interest expense	(468 977)	(2 749)	(29 293)	-	(11 516)
Fee and commission income	31 901	1 463	-	-	-
Fee and commission expense	-	-	-	-	-
Gains less losses from trading in foreign currencies	4 319	26 806	2 141	-	-
Realized gains less losses from financial derivatives	(109 927)	(6 545)	-	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	1 145 497	(7 706)	-	-	-
Ineffectiveness from the hedge accounting	(157 178)	-	-	-	-
Administrative and other operating expenses	(26 966)	(1 659)	-	(101 517)	-
Other operating income	-	-	783	-	-
Share of profit of associate	-	-	51 798	-	-

24 Related Party Transactions (Continued)

At 30 September 2011, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties
Guarantees issued by the Group at the period end	363 457	250 139	9 658	1 400
Guarantees received by the Group at the period end	1 066 458	-	-	-
Letters of credit issued by the Group at the period end	-	33 712	-	-
Undrawn credit lines and overdraft facilities	650 000	552 033	2 945 649	-
Interest rate swap agreements – notional amount as at the period end	107 321 750	-	-	-
Interest rate swap agreements – fair values as at the period end	(533 205)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	8 704 912	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	7 699 336	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	770 986	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	57 797 017	1 158 887	-	-
Foreign currency derivative financial instruments – principal amount sold	57 612 853	1 166 186	-	-
Foreign currency derivative financial instruments – fair value	258 613	(8 330)	-	-

At 31 December 2010, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidia-ries of the Parent Bank	Associate	Members of the Managing Board	Other related parties
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.00 % – 0.00 % p.a.)	2 372 873	16 017	-	-	-
Due from other banks (contractual interest rate: 0.00 % – 8.25 % p.a.)	19 273 895	311 881	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.76 % – 17.13 % p.a.)	-	1 648 270	1 449 328	52 854	-
Purchased intangible assets less accumulated depreciation	86 425	-	-	-	-
Derivatives and other financial assets	3 922 800	360	2 450	-	-
Investments in associate	-	-	1 058 323	-	-
Due to other banks (contractual interest rate: 0.00 % – 8.73% p.a.)	153 700	1 036 834	-	-	54
Customer accounts (contractual interest rate: 0.00 % – 3.60 % p.a.)	4 399	186 768	7 246 293	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.22 % – 6.25% p.a.)	81 169 487	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.05% p.a.)	-	-	-	-	1 968 107
Other liabilities	314 266	7	893	118 251	1 851
Derivatives and other financial liabilities	3 537 791	2 042	-	-	-

24 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 2010 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties	Members of the Managing Board
Interest income	2 144 083	16 289	59 492	2	5 633
Interest expense	(4 067 373)	(10 439)	(106 399)	-	-
Fee and commission income	22 748	10 491	3 391	26	-
Fee and commission expense	(137 629)	-	-	-	-
Realized gains less losses from financial derivatives	3 951 259	-	-	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(544 282)	17 770	(2 365)	-	-
Ineffectiveness from the hedge accounting	(323 062)	-	-	-	-
Administrative and other operating expenses	(146 836)	(5 818)	-	-	(174 727)
Other operating income	1 324	-	2 213	-	-
Share of profit of associate	-	-	31 284	-	-

The income and expense items with related parties for the three-month period ended 30 September 2010 were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties	Members of the Managing Board
Interest income	1 900 943	7 566	17 649	1 824	2
Interest expense	(2 912 136)	(7 940)	(38 782)	-	-
Fee and commission income	12 137	4 881	1 676	-	26
Fee and commission expense	(80 959)	-	-	-	-
Losses, net of gains from trading in foreign currencies	(5)	(21)	(674)	-	-
Realized gains less losses/(losses, net of gains) from financial derivatives	2 267 687	523	(2 055)	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	1 741 492	17 682	(374)	-	-
Ineffectiveness from the hedge accounting	(128 386)	-	-	-	-
Administrative and other operating expenses	(4 953)	(5 818)	-	-	(69 430)
Other operating income	-	-	698	-	-
Share of profit of associate	-	-	13 734	-	-

24 Related Party Transactions (Continued)

At 31 December 2010, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent bank**	**Subsidiaries of the Parent Bank**	**Associate**	**Other related parties**
Guarantees issued by the Group at the year end	355 087	264 920	-	-
Guarantees received by the Group at the year end	1 271 853	418 828	-	61 162
Stand-by facilities issued by Parent Bank	4 456 808	-	-	-
Undrawn credit lines	-	146 457	4 802 365	-
Overdraft facilities	650 000	-	-	185 000
Undrawn commitments to issue documentary instruments	-	2 242 667	3 346	-
Interest rate swap agreements – notional amount as at the year end	99 936 700	-	-	-
Interest rate swap agreements - fair values as at the year end	(901 945)	-	-	-
Cross currency interest rate swap agreements - notional amount receivable as at the year end	4 157 228	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	3 299 443	-	-	-
Cross currency interest rate swap agreements - fair values as at the year end	579 112	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	62 078 288	69 056	-	-
Foreign currency derivative financial instruments – principal amount sold	61 520 271	69 176	-	-
Foreign currency derivative financial instruments –fair value	707 842	(124)	-	-

The Bank's immediate parent is Raiffeisen Bank International AG (2010: Raiffeisen International Bank-Holding AG). The Bank is ultimately controlled by Raiffeisen Zentralbank Osterreich AG (2010: Raiffeisen Zentralbank Osterreich AG).

Key management compensation is presented below:

In thousands of Russian Roubles	**30 September 2011 Expense**	**30 September 2011 Accrued liability**	**30 September 2010 Expense**	**31 December 2010 Accrued liability**
Short-term benefits:				
- Salaries	100 487	-	83 861	-
- Short-term bonuses	86 685	196 405	90 866	109 721
Share-based compensation:				
- Cash-settled share-based compensation	3 167	10 452	-	8 531
Total	**190 339**	**206 857**	**174 727**	**118 252**

Short-term bonuses fall due within twelve months after the end of the period in which Management rendered the related services.