ZAO Raiffeisenbank

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

31 March 2012

CONTENTS

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 31 March 2012 and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the three 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

28 April 2012
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit, White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047 T: +7 (495) 967 6000, F: +7 (495) 967 6001, www.pwc.ru

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

In thousands of Russian Roubles	Note	31 March 2012 (Unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents	7	156 147 112	139 519 817
Mandatory cash balances with the Central Bank of the Russian Federation		5 990 254	5 921 349
Trading securities and Repurchase receivables	8	45 425 633	53 934 271
Other securities at fair value through profit or loss	9	5 621 202	4 976 131
Due from other banks	10	2 545 462	3 998 688
Loans and advances to customers	11	348 424 922	354 743 067
Investment securities available for sale	12	4 099 992	5 810 675
Premises and equipment		8 876 277	9 152 808
Intangible assets		11 843 690	11 862 200
Deferred income tax asset		2 308 807	2 749 879
Investment securities held to maturity	13	497 384	509 681
Derivatives and other financial assets	14	8 160 133	8 885 709
Investment in associate		1 483 865	1 349 943
Other assets		1 653 622	1 672 208
TOTAL ASSETS		**603 078 355**	**605 086 426**
LIABILITIES			
Due to other banks	15	29 731 023	29 935 428
Customer accounts	16	399 404 011	399 461 342
Term borrowings from the Parent Bank		42 951 150	46 987 518
Term borrowings from other financial institutions		3 562 904	3 859 816
Debt securities in issue		12 358 555	11 828 102
Current income tax liability		874 312	1 659 635
Derivatives and other financial liabilities	17	9 087 973	10 857 907
Other liabilities		4 822 034	4 732 938
TOTAL LIABILITIES		**502 791 962**	**509 322 686**
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		54 906 406	50 383 753
TOTAL EQUITY		**100 286 393**	**95 763 740**
TOTAL LIABILITIES AND EQUITY		**603 078 355**	**605 086 426**

Approved for issue and signed on behalf of the Managing Board on 28 April 2012.

Andrey Stepanenko
Acting Chairman of the Board

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «РАЙФФАЙЗЕНБАНК» МОСКВА 3292

Arndt Roechling
Chief Financial Officer

The notes set out on pages 5 to 31 form an integral part of this consolidated condensed interim financial information.

In thousands of Russian Roubles	Note	Three-Month Period Ended 31 March 2012 (Unaudited)	Three-Month Period Ended 31 March 2011 (Unaudited)
Interest income	18	10 152 339	8 409 084
Interest expense	18	(3 994 912)	(2 624 906)
Net interest income		**6 157 427**	**5 784 178**
(Charge)/release of provision for loan impairment	11	(521 199)	115 506
Net interest income after provision for loan impairment		**5 636 228**	**5 899 684**
Fee and commission income	19	2 612 462	2 237 129
Fee and commission expense	19	(636 360)	(548 512)
Gains less losses from trading securities		127 872	17 562
Gains less losses from other securities at fair value through profit or loss		15 101	180 832
Losses, net of gains from redemption of investment securities available for sale		(15 235)	-
Gains less losses from trading in foreign currencies		1 079 576	751 974
Unrealized gains less losses from derivative financial instruments		490 616	207 641
Realized gains less losses from derivative financial instruments		1 458 052	361 538
Foreign exchange translation losses, net of gains		(472 514)	(96 028)
Ineffectiveness from the hedge accounting		(78 842)	37 041
Release of provision for credit related commitments		176 676	34 144
Provision for investment securities held to maturity		222	(5 237)
Gains from the disposal of loans	11	33 649	2 464
Other operating income		32 223	77 704
Share of profit of associate		133 922	11 268
Operating income		**10 593 648**	**9 169 204**
Administrative and other operating expenses	20	(4 906 878)	(4 724 361)
Profit before tax		**5 686 770**	**4 444 843**
Income tax expense		(1 304 431)	(1 058 149)
Profit for the period		**4 382 339**	**3 386 694**
Revaluation of investment securities available for sale		81 687	(94 382)
Redemption of investment securities available for sale		15 235	-
Valuation reserve due to cash flow hedge		78 471	166 092
Income tax (expense)/credit		(35 079)	(14 342)
Other comprehensive income for the period, net of tax		**140 314**	**57 368**
Total comprehensive income for the period, net of tax		**4 522 653**	**3 444 062**

In thousands of Russian Roubles	Share capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Total
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	-	-	-	3 386 694	-	3 386 694
Other comprehensive income recognized for the period	-	-	-	-	57 368	57 368
Total comprehensive income for the period	**-**	**-**	**-**	**3 386 694**	**57 368**	**3 444 062**
Balance at 31 March 2011	**43 268 888**	**591 083**	**1 520 016**	**43 734 831**	**237 562**	**89 352 380**
Balance at 1 January 2012	**43 268 888**	**591 083**	**1 520 016**	**49 896 068**	**487 685**	**95 763 740**
Profit for the period	-	-	-	4 382 339	-	4 382 339
Other comprehensive income recognized for the period	-	-	-	-	140 314	140 314
Total comprehensive income for the period	**-**	**-**	**-**	**4 382 339**	**140 314**	**4 522 653**
Balance at 31 March 2012	**43 268 888**	**591 083**	**1 520 016**	**54 278 407**	**627 999**	**100 286 393**

In thousands of Russian Roubles	Note	Three-Month Period Ended 31 March 2012 (Unaudited)	Three-Month Period Ended 31 March 2011 (Unaudited)
Net cash from/(used in) operating activities		**17 701 569**	**33 188 433**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(313 655)	(504 758)
Net cash used in investing activities		**(313 655)**	**(504 758)**
Cash flows from financing activities			
Repayment of term borrowings from the Parent Bank and other financial institutions		(147 164)	(504 149)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(425 438)	(323 359)
Net cash used in financing activities		**(572 602)**	**(827 508)**
Change in accrued interest on cash and cash equivalents		(8 817)	(9 638)
Effect of exchange rate changes on cash and cash equivalents		(179 200)	(1 587 698)
Net increase/(decrease) in cash and cash equivalents		**16 627 295**	**30 258 831**
Cash and cash equivalents at the beginning of the period		139 519 817	84 278 857
Cash and cash equivalents at the end of the period	7	**156 147 112**	**114 537 688**

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the three months period ended 31 March 2012 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 CIS Region Holding GmbH 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 31 March 2012 the Group had 16 branches within the Russian Federation and 174 outlets (31 December 2011: 17 branches and 172 outlets).

The number of the Group's employees as at 31 March 2012 was 8 098 (31 December 2011: 8 350).

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. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation. Refer to Note 23.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. 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.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

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 2011.

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 31 March 2012 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 29.3282 (31 December 2011: USD 1 = 32.1961 RR) and EUR 1 = 39.1707 (31 December 2011: EUR 1 = 41.6714).

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 2011. 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 2011, became effective for the Group from 1 January 2012. 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. During three-month period ended 31 March 2012 the management has performed a detailed review of Bank's accounting policy in respect of translation effect of foreign currency to presentation currency for individually impaired loans and provision for impairment of these loans. The review has resulted in a correction in Interest income, Provision for loan impairment and Foreign exchange translation losses, net of gains. The reclassification in amount of RR 125 614 thousand was done from "Interest income" to "Foreign exchange translation losses, net of gains" and in amount of RR 433 244 thousand from "Provision for loan impairment" to "Foreign exchange translation losses, net of gains" for the period ended 31 March 2011.

Gains from the disposal of loans in the amount of RR 160 940 thousand is reclassified to Provision for loan impairment.

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:

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

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 554 082 thousand (2011: RR 826 325 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 268 925 thousand (2011: RR 419 640 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 1 213 596 thousand as at 31 March 2012 (31 December 2011: RR 1 405 649 thousand). The impact on the consolidated profit after tax would be an increase by RR 308 463 thousand for three-month period ended 31 March 2012 (for three-month period ended 31 March 2011: a decrease by RR 122 285 thousand).

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2012:

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognized, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment did not have impact on this consolidated condensed interim financial information.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment,* was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment did not have impact on this consolidated condensed interim financial information.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The amendment did not have impact on this consolidated condensed interim financial information.

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 April 2012 or later and which the Group has not early adopted:

Amendments to IFRS 1 (issued 13 March 2012 and effective for annual periods beginning on or after 1 January 2013): This amendment addresses accounting for a government loan with a below-market rate of interest when transitioning to IFRSs by a first-time adopter. Earlier application is permitted. The amendment will have no impact on the financial instruments of the Group.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 March 2012 (Unaudited)**	**31 December 2011**
Cash on hand	20 145 465	23 618 675
Cash balances with the CBRF (other than mandatory reserve deposits)	19 154 401	11 626 558
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 712 580	2 844 363
- Other countries	87 510 857	45 304 156
Placements with other banks with original maturities of less than three months	19 601 545	52 302 986
Reverse securities sale and repurchase agreements with other banks with original maturities of less than three months	7 022 264	3 823 079
Total cash and cash equivalents	**156 147 112**	**139 519 817**

At 31 March 2012 cash equivalents in the amount of RR 7 022 264 thousand (31 December 2011: RR 3 823 079 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 8 095 395 thousand (31 December 2011: RR 4 486 841 thousand). At 31 March 2012 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 953 370 thousand (31 December 2011: RR 936 442 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 and Repurchase Receivables

In thousands of Russian Roubles	**31 March 2012 (Unaudited)**	**31 December 2011**
Corporate bonds	28 150 953	40 340 217
Federal loan bonds (OFZ)	6 921 051	4 099 311
Corporate eurobonds	5 788 756	5 320 126
Municipal bonds	2 763 702	2 610 968
Bonds of the European Bank for Reconstruction and Development (EBRD)	1 560 692	1 558 713
Russian Federation Eurobonds	235 860	-
Total debt trading securities and repurchase receivables	**45 421 014**	**53 929 335**
Corporate shares	4 619	4 936
Total trading securities and repurchase receivables	**45 425 633**	**53 934 271**

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.

8 Trading Securities and Repurchase Receivables (Continued)

At 31 March 2012 and 31 December 2011 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

As at 31 March 2012 and 31 December 2011 no debt trading securities are past due or impaired.

Repurchase receivables represents securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or re-pledge. The repurchase agreements were short-term in nature and matured in April 2012. At 31 March 2012 Federal loan bonds (OFZ) included securities with fair value of RR 6 335 107 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Refer to Notes 15 and 23.

9 Other Securities at Fair Value Through Profit or Loss

In thousands of Russian Roubles	**31 March 2012 (Unaudited)**	**31 December 2011**
Corporate bonds	4 078 106	3 561 146
Municipal bonds	571 449	489 159
Federal loan bonds (OFZ)	476 989	529 428
Corporate eurobonds	9 585	8 416
Total other debt securities at fair value through profit and loss	**5 136 129**	**4 588 149**
Corporate shares	485 073	387 982
Total other securities at fair value through profit or loss	**5 621 202**	**4 976 131**

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	**31 March 2012 (Unaudited)**	**31 December 2011**
Short-term placements with other banks with original maturities of more than three months and less than one year	778 925	2 245 844
Long-term placements with other banks with original maturities of more than one year	1 766 537	1 752 844
Total due from other banks	**2 545 462**	**3 998 688**

As at 31 March 2012 and 31 December 2011 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	**31 March 2012 (Unaudited)**	**31 December 2011**
Loans to corporate customers (Corporate loans)	258 462 188	265 241 359
Loans to individuals (Retail loans)	103 958 977	103 866 193
Loans to small and medium entities (SME loans)	8 331 147	7 984 490
Loans to state and municipal organisations (Public sector)	285 925	295 480
Total gross loans and advances to customers	**371 038 237**	**377 387 522**
Less: Provision for loan impairment	(22 613 315)	(22 644 455)
Total loans and advances to customers	**348 424 922**	**354 743 067**

Movements in the provision for loan impairment during three-month period ended 31 March 2012 are as follows:

In thousands of Russian Roubles	**Corporate loans**	**Retail loans**	**SME loans**	**Total**
Provision for loan impairment at 1 January 2012	**13 868 428**	**7 838 532**	**937 495**	**22 644 455**
Provision for impairment during the period	186 247	312 199	22 753	521 199
Provisions on disposed loans	-	(52 877)	(34 614)	(87 491)
Amounts written off during the period as uncollectible	-	-	(57 059)	(57 059)
Effect of translation to functional currency	(251 829)	(155 595)	(365)	(407 789)
Provision for loan impairment at 31 March 2012 (Unaudited)	**13 802 846**	**7 942 259**	**868 210**	**22 613 315**

11 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during three-month period ended 31 March 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	(474 734)	398 325	(45 211)	6 114	(115 506)
Provisions on disposed loans	(78 508)	(75 589)	(4 064)	-	(158 161)
Effect of translation to functional currency	(311 765)	(121 472)	(6)	-	(433 243)
Provision for loan impairment at 31 March 2011 (Unaudited)	**17 556 042**	**7 527 349**	**1 058 641**	**41 070**	**26 183 102**

During the three-month period ended 31 March 2012 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 182 149 thousand (three-month period ended 31 March 2011: RR 1 463 135 thousand) with cash proceeds of RR 13 152 thousand (three-month period ended 31 March 2011: RR 1 307 438) and other assets with carrying value of RR 115 155 thousand (three-month period ended 31 March 2011: nil). As of the date of disposal during the three-month period ended 31 March 2012 these loans were provided for impairment in the total amount of RR 87 491 thousand (three-month period ended 31 March 2011: RR 158 161 thousand). The net financial result of a loan disposal during the three-month period ended 31 March 2012 recognized in the statement of comprehensive income was a gain of RR 33 649 thousand (three-month period ended 31 March 2011: RR 2 464 thousand)

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

	31 March 2012 (Unaudited)		31 December 2011	
In thousand of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	103 958 977	28.02%	103 866 193	27.52%
Real estate	74 729 575	20.14%	78 997 995	20.93%
Manufacturing	62 144 341	16.75%	79 625 643	21.10%
Trade	52 407 596	14.12%	41 166 387	10.91%
Mining	34 820 315	9.38%	28 571 173	7.57%
Transport, storage and communication	23 535 042	6.34%	24 670 796	6.54%
Financial services	6 131 872	1.65%	6 342 207	1.68%
Hotels and restaurants	4 800 636	1.29%	5 179 741	1.37%
Electricity, gas and water supply	4 299 504	1.16%	4 871 521	1.29%
Agriculture, hunting and forestry	1 850 706	0.50%	1 842 733	0.49%
Cities and municipalities	237 161	0.06%	247 093	0.07%
Other	2 122 512	0.59%	2 006 040	0.53%
Total loans and advances to customers (before impairment provision)	**371 038 237**	**100.00%**	**377 387 522**	**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	**31 March 2012 (Unaudited)**	**31 December 2011**
Corporate bonds	3 342 806	5 095 466
Corporate shares	757 186	715 209
Total investment securities available for sale	**4 099 992**	**5 810 675**

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	**31 March 2012 (Unaudited)**	**31 December 2011**
Corporate bonds	506 351	518 870
Total gross investment securities held to maturity	**506 351**	**518 870**
Less: Provision for impairment	(8 967)	(9 189)
Total investment securities held to maturity	**497 384**	**509 681**

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	**31 March 2012 (Unaudited)**	**31 December 2011**
Fair value of currency rate based financial derivatives	5 214 861	5 647 199
Fair value of interest rate based financial derivatives	2 379 877	2 235 763
Plastic card receivables	531 103	911 655
Trade receivables	34 292	91 092
Total derivatives and other financial assets	**8 160 133**	**8 885 709**

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	**31 March 2012 (Unaudited)**	**31 December 2011**
Correspondent accounts and overnight placements of other banks	20 382 604	22 194 357
Short-term placements of other banks	1 862 713	6 676 041
Long-term placements of other banks	1 274 895	1 065 030
Sale and repurchase agreements with securities with CBRF	6 210 811	-
Total due to other banks	**29 731 023**	**29 935 428**

At 31 March 2012 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 938 801 thousand (31 December 2011: RR 1 009 947 thousand).

At 31 March 2012 included in due to banks are deposits of RR 387 083 thousand (31 December 2011: RR 303 821 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 23.

At 31 March 2012, included in amounts due to other banks are liabilities of RR 6 201 811 thousand (2011: none) from sale and repurchase agreements. Refer to Notes 8 and 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	**31 March 2012 (Unaudited)**	**31 December 2011**
State and public organisations		
- Current/settlement accounts	3 155 354	612 423
- Term deposits	83 293	97 512
Legal entities		
- Current/settlement accounts	102 147 725	79 178 110
- Term deposits	82 357 919	107 189 995
Individuals		
- Current/demand accounts	87 577 196	87 209 756
- Term deposits	124 082 524	125 173 546
Total customer accounts	**399 404 011**	**399 461 342**

At 31 March 2012 the Group had one customer (31 December 2011: one customer) with a balance above 10% of consolidated equity of the Group as at this date. The balance of this customer was RR 15 906 412 thousand (31 December 2011: RR 10 359 595) or 3.98% (31 December 2011: 2.59%) of total customer accounts.

At 31 March 2012 included in customer accounts are deposits of RR 446 137 thousand (31 December 2011: RR 652 783 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 23.

At 31 March 2012 included in customer accounts are deposits of RR 1 756 339 thousand (31 December 2011: RR 1 838 011 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	**31 March 2012 (Unaudited)**	**31 December 2011**
Fair value of currency rate based financial derivatives	4 183 963	4 833 585
Fair value of interest rate based financial derivatives	3 806 934	4 294 065
Provision for credit related commitments	749 199	1 098 816
Plastic cards payables	313 919	567 943
Trade payables	28 905	36 998
Settlements on conversion operations	14	16 559
Other	5 039	9 941
Total derivatives and other financial liabilities	**9 087 973**	**10 857 907**

Movement in the provisions for credit related commitments during three-months period ended 31 March 2012 includes provision release of RR 176 676 thousand (during three-months period ended 31 March 2011: release of RR 34 144 thousand) and utilization of provision in the amount of RR 172 941 thousand (during three-months period ended 31 March 2011: nil).

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	**Three-Month Period Ended 31 March 2012 (Unaudited)**	**Three-Month Period Ended 31 March 2011 (Unaudited)**
Interest income		
Loans and advances to customers	8 745 017	6 733 566
Trading securities	852 279	902 104
Due from other banks	384 563	302 486
Investment securities available for sale	84 213	332 877
Interest income on impaired financial assets	69 223	122 623
Debt securities held to maturity	13 661	13 479
Other securities at fair value through profit and loss	3 383	1 949
Total interest income	**10 152 339**	**8 409 084**
Interest expense		
Term deposits of individuals	1 308 944	1 006 864
Term deposits of legal entities	1 186 408	365 879
Current/settlement accounts	389 955	141 351
Term borrowings from the Parent Bank	344 127	525 867
Term borrowings from other financial institutions	282 514	99 009
Debt securities in issue	250 418	433 691
Term placements of other banks	227 455	50 027
Correspondent accounts of other banks	5 091	2 218
Total interest expense	**3 994 912**	**2 624 906**
Net interest income	**6 157 427**	**5 784 178**

19 Fee and Commission Income and Expense

In thousands of Russian Roubles	**Three-Month Period Ended 31 March 2012 (Unaudited)**	**Three-Month Period Ended 31 March 2011 (Unaudited)**
Fee and commission income		
Commissions on operations with plastic cards	1 088 829	739 880
Commissions on settlement transactions	288 150	239 115
Commissions on documentary business and guarantees	253 563	206 034
Commissions on cash operations	198 291	185 330
Credit facility fee	166 748	200 432
Insurance commission income	144 292	110 067
Fiduciary activities	113 192	98 844
Commissions on export operations	95 926	79 767
Early and late repayment fees	67 410	124 540
Commissions on transfer payments	42 881	71 250
Commissions from investment banking	34 159	57 856
Commissions on transactions with securities	28 131	31 427
Commission income on foreign exchange operations	10 917	11 969
Other	79 973	80 618
Total fee and commission income	**2 612 462**	**2 237 129**
Fee and commission expense		
Commissions on operations with plastic cards	371 153	220 711
Commissions on settlement transactions	128 095	131 399
Commissions on cash operations	59 957	51 734
Commissions on transactions with securities	29 870	16 475
Commissions on transfer payments	25 227	68 850
Commissions on documentary business	3 718	4 393
Credit facility fee	1 420	22 050
Other	16 920	32 900
Total fee and commission expense	**636 360**	**548 512**
Net fee and commission income	**1 976 102**	**1 688 617**

20 Administrative and Other Operating Expenses

In thousands of Russian Roubles	**Three-Month Period Ended 31 March 2012 (Unaudited)**	**Three-Month Period Ended 31 March 2011 (Unaudited)**
Staff costs	2 601 556	2 428 952
Rent expenses	618 314	596 913
Depreciation of premises and equipment	344 232	362 723
Deposit insurance fee	198 651	156 775
Professional services	178 962	167 732
IT services	175 794	183 973
Premises and equipment maintenance expenses	169 800	187 357
Amortisation and write-off of intangible assets	128 732	99 916
Advertising and marketing	93 217	100 117
Communication expenses	100 488	112 163
Security expenses	50 637	65 713
Taxes other than on income	76 482	64 868
Other	170 013	197 159
Total administrative and other operating expenses	**4 906 878**	**4 724 361**

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.

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

In thousands of Russian Roubles	**Three-Month Period Ended 31 March 2012 (Unaudited) Russia/Total**	**Three-Month Period Ended 31 March 2011 (Unaudited) Russia/Total**
External revenues:		
Interest and similar income	12 767 653	8 698 548
Fee and commission income	3 140 209	2 637 885
Total revenue	**15 907 862**	**11 336 433**
Interest and similar expense	(5 857 411)	(3 403 917)
Fee and commission expense	(634 990)	(547 054)
Provision for loan impairment	(287 311)	277 391
Trading result	1 645 832	1 681 124
Valuation result from hedge accounting and other derivative instruments	(396 003)	(326 829)
Net income from investments	216	(5 019)
Depreciation and amortization	(471 481)	(461 353)
Other administrative expenses	(4 191 263)	(4 019 300)
Other operating (loss)/profit	(149 738)	(101 935)
Income taxes	(1 458 344)	(961 215)
Segment result	**4 107 369**	**3 468 326**

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

21 Segment Analysis (Continued)

Major ratio calculations for the reportable segment of the Group for the three-months period ended 31 March 2012 and the year ended 31 December 2011 are set out below:

In thousands of Russian Roubles	**31 March 2012 (Unaudited)** Russia/Total	**31 December 2011** Russia/Total
Total segment assets	**603 078 355**	**605 086 426**
Total segment liabilities	**502 791 962**	**509 322 686**
Capital expenditure	**313 655**	**2 781 119**
Cost/income ratio	44.86%	55.30%
Average equity	98 025 067	90 836 029
Return on equity before tax	23.21%	20.13%
Return on equity after tax	17.88%	15.25%

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

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

In thousands of Russian Roubles	**Three-Month Period Ended 31 March 2012 (Unaudited)** Russia/Total	**Three-Month Period Ended 31 March 2011 (Unaudited)** Russia/Total
Total revenue for segment	**15 907 862**	**11 336 433**
Reclassification of interest income to trading result	(2 671 150)	(461 814)
Reclassification of commission income to trading result	(557 515)	(453 922)
Reclassification of provision for loan impairment to interest income and unwinding effect	57 426	125 278
Effect of the consolidation of the subsidiaries and other adjustments	28 178	100 238
Total revenue	**12 764 801**	**10 646 213**

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	**Three-Month Period Ended 31 March 2012 (Unaudited)** Russia/Total	**Three-Month Period Ended 31 March 2011 (Unaudited)** Russia/Total
Total segment result	**4 107 369**	**3 468 326**
Consolidation of subsidiaries and associate	321 749	(67 605)
Losses of securities available for sale	(15 235)	-
Intercompany adjustments	(31 544)	(14 027)
Profit after tax	**4 382 339**	**3 386 694**

21 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2012 is as follows:

In thousands of Russian Roubles	**Total amount for reportable segment**	**Reclassifi-cations**	**Consolida-tion of the subsidiaries and associate and other**	**As reported under IFRS**
Material income or expenses for the three-month period ended 31 March 2012				
External revenues, including				
- Interest and similar income	12 767 653	(2 613 724)	(1 590)	10 152 339
- Fee and commission income	3 140 209	(557 515)	29 768	2 612 462
Interest and similar expense	(5 857 411)	1 855 240	7 259	(3 994 912)
Fee and commission expense	(634 990)	-	(1 370)	(636 360)
Provision for loan impairment	(287 311)	(57 426)	33 863	(310 874)
Trading result	1 645 832	1 294 577	(33 723)	2 906 686
Valuation result from hedge accounting and other derivative instruments	(396 003)	78 842	-	(317 161)
Net income from investments	216	6	15 101	15 323
Depreciation and amortization	(471 481)	-	(1 483)	(472 964)
Other administrative expenses	(4 191 263)	-	61 284	(4 129 979)
Other operating (loss)/profit	(149 738)	-	11 948	(137 790)
Income taxes	(1 458 344)	-	153 913	(1 304 431)

Reconciliation of other material items of income or expenses for the three-month period ended 31 March 2011 is as follows:

In thousands of Russian Roubles	**Total amount for reportable segment**	**Reclassifi-cations**	**Consolida-tion of the subsi-diaries and associate and other**	**As reported under IFRS**
Material income or expenses for the three-month period ended 31 March 2011				
External revenues, including				
- Interest and similar income	8 698 548	(336 536)	47 072	8 409 084
- Fee and commission income	2 637 885	(453 922)	53 166	2 237 129
Interest and similar expense	(3 403 917)	857 752	(78 741)	(2 624 906)
Fee and commission expense	(547 054)	-	(1 458)	(548 512)
Provision for loan impairment	277 391	(125 277)	-	152 114
Trading result	1 681 124	(17 301)	(20 365)	1 514 294
Valuation result from hedge accounting and other derivative instruments	(326 829)	(37 041)	140	(363 730)
Net income from investments	(5 019)	112 325	68 289	175 595
Depreciation and amortization	(461 353)	-	(1 286)	(462 639)
Other administrative expenses	(4 019 300)	-	(33 994)	(4 053 294)
Other operating (loss)/profit	(101 935)	-	(17 521)	(119 456)
Income taxes	(961 215)	-	(96 934)	(1 058 149)

21 Segment Analysis (Continued)

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 three-month period ended 31 March 2012:

- 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 nil (for three-month period ended 31 March 2011: RR 14 116 thousand);

- reclassification of computed refinancing cost of trading portfolio from trading result to interest and similar expenses in the amount RR 450 243 thousand (for three-month period ended 31 March 2011: RR 295 161 thousand);

- 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 6 thousand (for three-month period ended 31 March 2011: RR 112 325 thousand); and

- reclassification of interest expenses from interest rate derivatives from interest and similar expenses to trading result in the amount of RR 2 305 489 thousand (for three-month period ended 31 March 2011: RR 1 251 123 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 57 426 thousand (for three-month period ended 31 March 2011: RR 125 278 thousand).

Reclassification in Trading result for nine-month period ended 31 March 2012:

- the total amount of reclassification from Trading result to Interest and similar expenses is equal to the amount of RR 450 243 thousand (for three-month period ended 31 March 2011: RR 295 161 thousand);

- the total amount of reclassification to Trading result from Interest and similar expenses is equal to the amount of RR 2 305 489 thousand (for three-month period ended 31 March 2011: RR 1 251 123 thousand);

- reclassification of interest income from interest rate derivatives from interest and similar income to trading result in the amount of RR 2 671 150 thousand (for three-month period ended 31 March 2011: RR 1 358 512 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 plus 78 842 thousand RUB (for three-month period ended 31 March 2011: plus RR 37 041 thousand);

21 Segment Analysis (Continued)

- reclassification of coupon income for trading securities from trading result to interest income in the amount of RR 852 279 thousand (for three-month period ended 31 March 2011: RR 898 174 thousand);

- reclassification of the result on clients' foreign exchange transactions from commission income to trading result in the amount of RR 580 877 thousand (for three-month period ended 31 March 2011: RR 413 550 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 2011.

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.

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.

22 Financial Risk Management (Continued)

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.

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

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	280 989 416	291 964 671	1 582 681	90 500 210	77 942 274
US Dollars	217 574 864	131 680 288	(877 660)	(86 477 280)	294 956
Euros	72 165 160	70 471 910	280 369	(1 487 061)	(74 180)
Other	4 935 774	2 978 746	45 400	(1 505 079)	406 549
Total	**575 665 214**	**497 095 615**	**1 030 790**	**1 030 790**	**78 569 599**

The Group's exposure to foreign currency exchange rate risk at 31 December 2011 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	285 382 826	312 456 417	1 087 672	109 660 108	81 498 845
US Dollars	203 292 171	116 722 703	165 697	(93 187 132)	(6 783 361)
Euros	83 259 375	71 492 694	(428 988)	(12 777 051)	(581 382)
Other	5 256 889	2 258 299	(10 767)	(2 882 311)	127 046
Total	**577 191 261**	**502 930 113**	**813 614**	**813 614**	**74 261 148**

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 31 March 2012 is set out below:

In thousands of Russian Roubles	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	48 739 466	101 724 021	1 810 235	3 873 390	156 147 112
Mandatory cash balances with the Central bank of the Russian Federation	5 990 254	-	-	-	5 990 254
Trading securities	43 860 322	-	1 560 692	4 619	45 425 633
Other securities at fair value through profit or loss	5 621 202	-	-	-	5 621 202
Due from other banks	2 072 843	12 318	-	460 301	2 545 462
Loans and advances to customers	311 317 969	1 470 818	28 826 182	6 809 953	348 424 922
Investment securities available for sale	3 342 806	-	-	757 186	4 099 992
Investment securities held-to-maturity	497 384	-	-	-	497 384
Derivatives and other financial assets	1 856 675	3 699 749	2 351 984	251 725	8 160 133
Total financial assets	**423 298 921**	**106 906 906**	**34 549 093**	**12 157 174**	**576 912 094**
Liabilities					
Due to other banks	24 479 073	2 221 996	2 407 899	622 055	29 731 023
Customer accounts	390 753 465	1 454 164	5 873 272	1 323 110	399 404 011
Term borrowings from the Parent Bank	-	42 951 150	-	-	42 951 150
Term borrowings from other financial institutions	-	1 897 937	410 846	1 254 121	3 562 904
Debt securities in issue	12 358 555	-	-	-	12 358 555
Derivatives and other financial liabilities	1 899 481	4 835 480	1 614 968	738 044	9 087 973
Total financial liabilities	**429 490 574**	**53 360 727**	**10 306 985**	**3 937 330**	**497 095 616**
Net balance sheet position	**(6 191 653)**	**53 546 179**	**24 242 108**	**8 219 844**	**79 816 478**
Credit related commitments (Note 23)	**193 013 132**	**4 771 018**	**4 390 706**	**2 460 038**	**204 634 894**

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 2011 is set out below:

In thousands of Russian Roubles	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	41 911 456	92 524 080	2 817 229	2 267 052	139 519 817
Mandatory cash balances with the Central bank of the Russian Federation	5 921 349	-	-	-	5 921 349
Trading securities	52 370 622	-	1 558 713	4 936	53 934 271
Other securities at fair value through profit or loss	4 976 131	-	-	-	4 976 131
Due from other banks	3 441 272	13 581	80 973	462 862	3 998 688
Loans and advances to customers	314 322 785	1 612 297	31 158 007	7 649 978	354 743 067
Investment securities available for sale	5 095 466	-	-	715 209	5 810 675
Investment securities held-to-maturity	509 681	-	-	-	509 681
Derivatives and other financial assets	3 251 561	3 174 999	2 204 060	255 089	8 885 709
Total financial assets	**431 800 323**	**97 324 957**	**37 818 982**	**11 355 126**	**578 299 388**
Liabilities					
Due to other banks	26 117 288	1 566 654	1 783 406	468 080	29 935 428
Customer accounts	388 376 634	2 336 516	7 472 160	1 276 032	399 461 342
Term borrowings from the Parent Bank	-	46 987 518	-	-	46 987 518
Term borrowings from other financial institutions	-	2 081 751	246 421	1 531 644	3 859 816
Debt securities in issue	11 828 102	-	-	-	11 828 102
Derivatives and other financial liabilities	3 135 622	4 103 703	2 985 460	633 122	10 857 907
Total financial liabilities	**429 457 646**	**57 076 142**	**12 487 447**	**3 908 878**	**502 930 113**
Net balance sheet position	**2 342 677**	**40 248 815**	**25 331 535**	**7 446 248**	**75 369 275**
Credit related commitments (Note 23)	**217 771 077**	**1 970 034**	**2 444 414**	**3 251 733**	**225 437 258**

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 31 March 2012 or 31 December 2011.

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.

22 Financial Risk Management (Continued)

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.

The Bank monitors expected maturities, which may be summarised as follows at 31 March 2012 and 31 December 2011:

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 31 March 2012					
Financial assets	284 774 193	77 686 731	173 550 423	40 900 747	576 912 094
Financial liabilities	316 690 664	73 364 602	105 751 745	1 288 605	497 095 616
Net liquidity gap based on expected maturities	**(31 916 471)**	**4 322 129**	**67 798 678**	**39 612 142**	**79 816 478**
At 31 December 2011					
Financial assets	257 260 061	85 863 191	192 445 101	42 731 035	578 299 388
Financial liabilities	323 113 312	74 101 392	104 454 045	1 261 364	502 930 113
Net liquidity gap based on expected maturities	**(65 853 251)**	**11 761 799**	**87 991 056**	**41 469 671**	**75 369 275**

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.

23 Contingencies and Commitments (Continued)

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.

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	**31 March 2012 (Unaudited)**	**31 December 2011**
Not later than 1 year	771 985	700 267
Later than 1 year and not later than 5 years	19 451	13 471
Total operating lease commitments	**791 436**	**713 738**

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 31 March 2012.

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	31 March 2012 (Unaudited)	31 December 2011
Guarantees issued (irrevocable)	54 078 414	63 142 639
Undrawn credit lines and Overdraft facilities (revocable)	51 024 347	50 244 401
Undrawn credit lines and Overdraft facilities (irrevocable)	37 151 842	51 460 820
Undrawn commitments to issue documentary instruments (irrevocable)	31 336 417	32 356 542
Undrawn commitments to issue documentary instruments (revocable)	17 306 612	10 662 488
Import letters of credit (irrevocable)	10 928 788	10 824 479
Export letters of credit (irrevocable)	2 808 474	6 745 889
Credit related commitments before provision	**204 634 894**	**225 437 258**
Less: Provision for credit related commitments	(749 199)	(1 098 816)
Total credit related commitments	**203 885 695**	**224 338 442**

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 45 076 thousand at 31 March 2012 (31 December 2011: RR 58 375 thousand).

In thousands of Russian Roubles	31 March 2012 (Unaudited)	31 December 2011
Russian Roubles	134 456 559	150 311 137
US Dollars	49 974 804	59 253 043
Euro	17 260 998	15 857 759
Other	2 942 533	15 319
Total credit related commitments before provision	**204 634 894**	**225 437 258**

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

	Notes	31 March 2012 (Unaudited)		31 December 2011	
In thousands of Russian Roubles		Asset pledged	Related liability	Asset pledged	Related liability
Repurchase receivables related to trading securities	8,15	6 335 107	6 210 811	-	-
Total		**6 335 107**	**6 210 811**	**-**	**-**

Mandatory cash balances with the Bank of Russia in the amount of RR 5 990 254 thousand (31 December 2011: RR 5 921 349 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

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 31 March 2012, 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: 0.20 % - 0.21 % p.a.)	82 122 476	8 769	-	-	-
Placements with other banks with original maturities of less than three months (contractual interest rate: 0.67 % - 0.94 % p.a.)	19 601 545	-	-	-	-
Due from other banks (contractual interest rate: 7.89 % - 12.03 % p.a.)	12 318	427 248	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.75 % – 11.7 % p.a.)	-	1 467 818	4 204 026	26 217	-
Purchased intangible assets less accumulated depreciation	183 105	-	-	-	-
Derivatives and other financial assets	3 823 222	2 302	-	-	-
Investments in associate	-	-	1 483 865	-	-
Due to other banks (contractual interest rate: 1.25 % – 9.88% p.a.)	1 524 210	1 376 874	-	-	
Customer accounts (contractual interest rate: 1.99 % – 3.17 % p.a.)	-	-	4 720 469	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.38 % – 4.20% p.a.)	42 951 150	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.22 % p.a.)	-	-	-	-	1 940 613
Other liabilities	578 013	-	-	208 130	-
Derivatives and other financial liabilities	3 753 685	2 270	-	-	-

24 Related Party Transactions (Continued)

The income and expense items with related parties for the three-month period ended 31 March 2012 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	114 413	13 387	68 038	503	-
Interest expense	(599 861)	(8 847)	(32 823)	-	(13 161)
Fee and commission income	4 932	2 320	1 012	-	-
Fee and commission expense	(11 739)	-	-	-	-
Gains less losses from trading in foreign currencies	70 713	(18 460)	524	-	-
Realized gains less losses/(losses, net of gains) from financial derivatives	126 442	(5 430)	-	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	274 695	3 486	-	-	-
Ineffectiveness from the hedge accounting	(78 471)	-	-	-	-
Administrative and other operating expenses	(164 711)	(5 256)	-	(77 014)	
Other operating income	-	-	807	-	-
Share of profit of associate	-	-	133 922	-	-

At 31 March 2012, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate
Guarantees issued by the Group at the period end	1 600 183	334 198	-
Guarantees received by the Group at the period end	481 122	-	-
Letters of credit issued by the Group at the period end	-	185 186	-
Undrawn credit lines and overdraft facilities	2 149 823	538 073	3 936 817
Interest rate swap agreements – notional amount as at the period end	125 145 009	-	-
Interest rate swap agreements – fair values as at the period end	(893 223)	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	21 626 353	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	20 491 149	-	-
Cross currency interest rate swap agreements – fair values at the period end	893 565	-	-
Foreign currency derivative financial instruments – principal amount purchased	46 729 227	1 259 654	-
Foreign currency derivative financial instruments – principal amount sold	46 528 718	1 259 354	-
Foreign currency derivative financial instruments – fair value	66 351	32	-
Interest rate options purchased – notional amount	1 000 000	-	-
Interest rate options purchased – fair value	1 955	-	-

24 Related Party Transactions (Continued)

At 31 December 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: 0.16 % - 0.25 % p.a.)	40 221 094	15 010	-	-	-
Placements with other banks with original maturities of less than three months (contractual interest rate: 0.85 % - 1.43 % p.a.)	52 302 986	-	-	-	-
Due from other banks (contractual interest rate: 0.00 % – 12.03 % p.a.)	13 581	427 252	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0.81 % – 11.64 % p.a.)	-	1 609 986	4 392 477	2 878	-
Purchased intangible assets less accumulated depreciation	195 338	-	-	-	-
Derivatives and other financial assets	3 224 569	135	-	-	-
Investments in associates	-	-	1 349 943	-	-
Due to other banks (contractual interest rate: 1.25 % – 9.88% p.a.)	25 238	754 690	-	-	34 614
Customer accounts (contractual interest rate: 0.23 % – 4.70 % p.a.)	-	-	4 660 403	-	-
Term borrowings from the Parent Bank (contractual interest rate: 0.49 % – 4.31% p.a.)	46 987 518	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.32% p.a.)	-	-	-	-	2 081 751
Other liabilities	325 841	-	-	164 339	-
Derivatives and other financial liabilities	4 098 029	3 589	-	-	-

The income and expense items with related parties for the three-month period ended 31 March 2011 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**
Interest income	63 949	10 945	27 867	1 931	72
Interest expense	(520 722)	(1 936)	(38 813)	-	(11 070)
Fee and commission income	3 522	1 507	1 103	-	6
Fee and commission expense	(32 020)	-	-	-	-
Gains less losses/(losses, net of gains) from trading in foreign currencies	3	-	236	-	-
Realized gains less losses from financial derivatives	72 081	(7 483)	271	-	-
Unrealized gains less losses/(losses, net of gains) from financial derivatives	(805 966)	(2 520)	-	-	-
Ineffectiveness from the hedge accounting	37 041	-	-	-	-
Administrative and other operating expenses	(134 712)	(2 977)	-	(43 506)	-
Other operating income	-	-	817	-	-
Share of profit of associate	-	-	11 267	-	-

24 Related Party Transactions (Continued)

At 31 December 2011, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	Parent bank	Subsidiaries of the Parent Bank	Associate
Guarantees issued by the Group at the year end	313 952	411 719	-
Guarantees received by the Group at the year end	649 521	-	-
Letters of credit issued by the Group at the year end	-	1 497 186	-
Undrawn credit lines	650 000	551 575	4 131 352
Interest rate swap agreements – notional amount as at the year end	135 583 749	-	-
Interest rate swap agreements - fair values as at the year end	(1 271 551)	-	-
Cross currency interest rate swap agreements - notional amount receivable as at the year end	16 615 641	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	15 959 961	-	-
Cross currency interest rate swap agreements - fair values as at the year end	436 186	-	-
Foreign currency derivative financial instruments – principal amount purchased	55 201 629	665 438	-
Foreign currency derivative financial instruments – principal amount sold	55 181 589	668 420	-
Foreign currency derivative financial instruments –fair value	(87 800)	(3 454)	-
Interest rate options purchased – notional amount	1 000 000	-	-
Interest rate options purchased – fair value	5 674	-	-

The Bank’s immediate parent is Raiffeisen CIS Region Holding GmbH (2011: Raiffeisen Bank International AG). The Bank is ultimately controlled by Raiffeisen Zentralbank Osterreich AG (2011: Raiffeisen Zentralbank Osterreich AG).

Key management compensation is presented below:

In thousands of Russian Roubles	31 March 2012 Expense	31 March 2012 Accrued liability	31 March 2011 Expense	31 December 2011 Accrued liability
Short-term benefits:				
- Salaries	31 479	-	26 257	-
- Short-term bonuses	44 921	199 960	13 661	155 039
Share-based compensation:				
- Cash-settled share-based compensation	614	8 170	3 588	9 300
Total	**77 014**	**208 130**	**43 506**	**164 339**

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