

ZAO Raiffeisenbank

**International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Report on Review of Consolidated Condensed Interim
Financial Information
31 March 2013**

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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Report on review of consolidated condensed 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 31 March 2013 and the related consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows for the three-month period then ended and related explanatory notes. 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

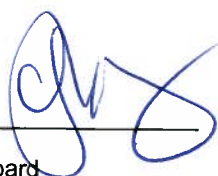
26 April 2013
Moscow, Russian Federation

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

| <i>In thousands of Russian Roubles</i> | Note | 31 March 2013 (unaudited) | 31 December 2012 |
|--|------|------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7 | 145 609 040 | 154 337 114 |
| Mandatory cash balances with the Central Bank of the Russian Federation | | 5 822 528 | 5 773 792 |
| Trading securities | 8 | 25 362 504 | 5 952 478 |
| Repurchase receivables related to trading securities | 8 | 1 815 816 | 7 248 713 |
| Other securities at fair value through consolidated profit or loss | 9 | 33 522 984 | 26 870 429 |
| Repurchase receivables related to other securities at fair value through consolidated profit or loss | 9 | 9 546 885 | 9 040 698 |
| Due from other banks | 10 | 10 529 283 | 17 104 788 |
| Loans and advances to customers | 11 | 378 346 927 | 368 248 585 |
| Investment securities available for sale | | - | 1 007 304 |
| Premises and equipment | | 12 346 596 | 12 762 203 |
| Intangible assets | | 12 115 336 | 12 077 646 |
| Deferred income tax asset | | 624 043 | 1 188 700 |
| Investment securities held to maturity | 12 | 493 570 | 505 780 |
| Derivatives and other financial assets | 13 | 8 066 523 | 10 662 362 |
| Investment in associates | | 2 091 713 | 1 985 157 |
| Other assets | | 2 678 943 | 2 456 478 |
| TOTAL ASSETS | | 648 972 691 | 637 222 227 |
| LIABILITIES | | | |
| Due to other banks | 14 | 28 164 076 | 54 736 306 |
| Customer accounts | 15 | 429 272 384 | 399 764 041 |
| Term borrowings from the Parent Bank | 16 | 42 221 840 | 40 806 863 |
| Term borrowings from other financial institutions | 17 | 8 122 139 | 8 078 317 |
| Debt securities in issue | | 14 376 679 | 13 195 195 |
| Current income tax liability | | 631 806 | 739 084 |
| Derivatives and other financial liabilities | 18 | 7 616 307 | 6 740 802 |
| Other liabilities | | 5 580 320 | 5 710 398 |
| TOTAL LIABILITIES | | 535 985 551 | 529 771 006 |
| 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 | | 67 607 153 | 62 071 234 |
| TOTAL EQUITY | | 112 987 140 | 107 451 221 |
| TOTAL LIABILITIES AND EQUITY | | 648 972 691 | 637 222 227 |

Approved for issue and signed on 26 April 2013.

Sergei Monin
Chairman of the Board




Arndt Roehling
Chief Financial Officer



ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

| <i>In thousands of Russian Roubles</i> | Note | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|---|------|---|---|
| Interest income | 19 | 10 709 647 | 10 152 339 |
| Interest expense | 19 | (3 881 607) | (3 994 912) |
| Net interest income | | 6 828 040 | 6 157 427 |
| Release/(charge) of provision for loan impairment | 11 | 553 876 | (521 199) |
| Net interest income after provision for loan impairment | | 7 381 916 | 5 636 228 |
| Fee and commission income | 20 | 3 099 706 | 2 612 462 |
| Fee and commission expense | 20 | (791 953) | (636 360) |
| Gains less losses from trading securities | | 65 830 | 127 872 |
| Gains less losses from other securities at fair value through profit or loss | | 24 181 | 15 101 |
| Gains less losses/(losses net of gains) from redemption of investment securities available for sale | | 1 032 517 | (15 235) |
| Gains less losses from trading in foreign currencies | | 667 599 | 1 079 576 |
| Unrealized (losses, net of gains)/gains less losses from derivative financial instruments | 21 | (3 097 574) | 490 616 |
| Realized gains less losses from derivative financial instruments | 22 | 1 437 978 | 1 458 052 |
| Foreign exchange translation gains less losses/(losses, net of gains) | | 3 056 688 | (472 514) |
| Ineffectiveness from the hedge accounting and other derivative instruments | | (48 485) | (78 842) |
| Release of provision for credit related commitments | | 53 069 | 176 676 |
| Release of provision for investment securities held to maturity | | 391 | 222 |
| Gains from the sale of loans | 11 | 3 557 | 33 649 |
| Other operating income | | 122 417 | 32 223 |
| Share of profit of associate | | 106 556 | 133 922 |
| Operating income | | 13 114 393 | 10 593 648 |
| Administrative and other operating expenses | 23 | (5 145 235) | (4 906 878) |
| Profit before tax | | 7 969 158 | 5 686 770 |
| Income tax expense | | (1 663 931) | (1 304 431) |
| Profit for the period | | 6 305 227 | 4 382 339 |
| Revaluation of investment securities available for sale | | 25 213 | 81 687 |
| Redemption of investment securities available for sale | | (1 032 517) | 15 235 |
| Valuation reserve due to cash flow hedge | | 45 669 | 78 471 |
| Income tax credit/(expense) | | 192 327 | (35 079) |
| Other comprehensive (loss)/income for the period, net of tax | | (769 308) | 140 314 |
| Total comprehensive income for the period, net of tax | | 5 535 919 | 4 522 653 |

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Changes in Equity

| <i>In thousands of Russian Roubles</i> | Share capital | Share premium | Additional paid-in capital | Retained earnings | Other reserves | Total |
|---|-------------------|------------------|----------------------------------|----------------------|-------------------|--------------------|
| 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 loss recognized for the period | - | - | - | - | 140 314 | 140 314 |
| Total comprehensive income/(loss) 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 |
| Balance at 1 January 2013 | 43 268 888 | 591 083 | 1 520 016 | 61 111 074 | 960 160 | 107 451 221 |
| Profit for the period | - | - | - | 6 305 227 | - | 6 305 227 |
| Other comprehensive income recognized for the period | - | - | - | - | (769 308) | (769 308) |
| Total comprehensive income for the period | - | - | - | 6 305 227 | (769 308) | 5 535 919 |
| Balance at 31 March 2013 | 43 268 888 | 591 083 | 1 520 016 | 67 416 301 | 190 852 | 112 987 140 |

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

| <i>In thousands of Russian Roubles</i> | Note | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|--|------|---|---|
| Net cash from operating activities | | (10 382 601) | 17 701 569 |
| Cash flows from investing activities | | | |
| Acquisition of premises and equipment and intangible assets | | (369 386) | (313 655) |
| Proceeds from disposal of investment securities available for sale | | 1 032 517 | - |
| Net cash from/(used in) investing activities | | 663 131 | (313 655) |
| Cash flows from financing activities | | | |
| Proceeds from term borrowings from the Parent Bank and other financial institutions | | 1 751 301 | - |
| Repayment of term borrowings from the Parent Bank and other financial institutions | | (1 146 399) | (147 164) |
| Interest paid on term borrowings from the Parent Bank and other financial institutions | | (285 226) | (425 438) |
| Net Increase in debt securities in issue | | 759 999 | - |
| Interest paid on debt securities | | (12 843) | - |
| Dividends paid | | - | - |
| Net cash used in financing activities | | 1 066 832 | (572 602) |
| Change in accrued interest on cash and cash equivalents | | 9 765 | (8 817) |
| Effect of exchange rate changes on cash and cash equivalents | | (85 201) | (179 200) |
| Net increase in cash and cash equivalents | | (8 728 074) | 16 627 295 |
| Cash and cash equivalents at the beginning of the period | | 154 337 114 | 139 519 817 |
| Cash and cash equivalents at the end of the period | 7 | 145 609 040 | 156 147 112 |

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 2013 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 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 No. 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 2013 the Group had 6 branches within the Russian Federation and 181 outlets (31 December 2012: 6 branches and 178 outlets).

The number of the Group’s employees as at 31 March 2013 was 8 047 (31 December 2012: 8 003).

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. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. Refer to Note 27.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined loan impairment provisions using 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, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

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 2012.

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 2013 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 31.0834 (31 December 2012: USD 1 = RR 30.3727) and EUR 1 = 39.8023 (31 December 2012: EUR 1 = 40.2286).

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 2012. 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 2012, became effective for the Group from 1 January 2013. 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.

Representation of segment analysis. During the year ended 31 December 2012 the management has performed a detailed review of Group's segment analysis disclosure. The review has resulted in presentation of the financial information subject to regular review by the Management Board of the Bank in Note 25. This financial information primarily includes financial reports by the business divisions of the Bank and financial reports by the geographical location of banking operations. The review has also resulted in reconsideration of the chief operating decision making function according to IFRS 8 *Operating segments*, and identification of the Management Board of the Bank as the chief operating decision maker.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information 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 consolidated condensed interim financial information 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 period, 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.

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

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 590 311 thousand (2012: RR 556 289 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 296 095 thousand (2012: RR 275 246 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.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

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 amendment did not have an impact on this consolidated condensed interim financial information.

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 Venturers”. 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 amendment did not have an impact on this consolidated condensed interim financial information.

IFRS 12 “Disclosure of Interests 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 amendment did not have an impact on this consolidated condensed interim financial information.

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

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 revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The amendment did not have an impact on this consolidated condensed interim financial information.

IAS 27 “Separate Financial Statements”, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”. The amendment did not have an impact on this consolidated condensed interim financial information.

IAS 28 “Investments in Associates and Joint Ventures”, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its consolidated financial statements. The amendment did not have an impact on this consolidated condensed interim financial information.

Amendments to IAS 1 “Presentation of Financial Statements” (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. The Group expects the amended standard to change presentation of its consolidated financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19 “Employee Benefits” (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amendment did not have an impact on this consolidated condensed interim financial information.

“Disclosures – Offsetting Financial Assets and Financial Liabilities” – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity’s consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment did not have an 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 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. These improvements did not have an impact on this consolidated condensed interim financial information.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. These amendments did not have an impact on this consolidated condensed interim financial information.

Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards – Government Loans” (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The amendment did not have an impact on this consolidated condensed interim financial information.

6 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been published that are mandatory for the Group’s accounting periods beginning on or after 1 April 2013 or later and which the Group has not early adopted.

ZAO Raiffeisenbank
Notes to the Consolidated Condensed Interim Financial Information

7 Cash and Cash Equivalents

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Cash on hand | 22 304 840 | 24 338 921 |
| Cash balances with the CBRF (other than mandatory reserve deposits) | 18 068 718 | 32 512 354 |
| Correspondent accounts and overnight placements with other banks | | |
| - Russian Federation | 3 326 025 | 5 285 738 |
| - Other countries | 50 172 592 | 40 152 570 |
| Placements with other banks with original maturities of less than three months | 42 588 000 | 36 848 219 |
| Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months | 9 148 865 | 15 199 312 |
| Total cash and cash equivalents | 145 609 040 | 154 337 114 |

At 31 March 2013 cash equivalents in the amount of RR 9 148 865 thousand (31 December 2012: RR 15 199 312 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 10 294 516 thousand (31 December 2012: RR 17 864 317 thousand) which the Group has a right to sell or repledge.

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 and financial institutions.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

8 Trading Securities and Repurchase Receivables related to Trading Securities

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Corporate bonds | 25 754 957 | 5 521 053 |
| Corporate Eurobonds | 798 846 | 1 010 812 |
| Federal loan bonds (OFZ) | 619 750 | 6 664 680 |
| Total debt trading securities and repurchase receivables | 27 173 553 | 13 196 545 |
| Corporate shares | 4 767 | 4 646 |
| Total trading securities and repurchase receivables related to trading securities | 27 178 320 | 13 201 191 |

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 31 March 2013 and 31 December 2012 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

8 Trading Securities and Repurchase Receivables related to Trading Securities (Continued)

As at 31 March 2013 and 31 December 2012 no debt trading securities are past due or impaired.

Repurchase Receivables related to trading securities 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 2013. At 31 March 2013 Federal loan bonds (OFZ) included securities with fair value of RR 446 994 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: 6 585 883 thousand). Corporate bonds included securities with fair value of RR 1 368 822 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: 662 830 thousand). Refer to Notes 14 and 27.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 25.

9 Other Securities at Fair Value Through Profit or Loss and Repurchase Receivables related to other securities at Fair Value Through Profit or Loss

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Corporate bonds | 30 229 136 | 22 849 087 |
| Federal loan bonds (OFZ) | 3 363 164 | 5 592 766 |
| Corporate Eurobonds | 3 123 842 | 4 032 086 |
| Eurobonds of the European Bank for Reconstruction and Development | 2 775 023 | - |
| Municipal bonds | 1 703 470 | 1 589 254 |
| Bonds of the European Bank for Reconstruction and Development (EBRD) | 1 062 041 | 1 060 865 |
| Russian Federation Eurobonds | 600 746 | 396 109 |
| Total other debt securities at fair value through profit and loss | 42 857 422 | 35 520 167 |
| Corporate shares | 212 447 | 390 960 |
| Total other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 43 069 869 | 35 911 127 |

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.

Repurchase Receivables related to Other securities at Fair Value Through Profit or Loss 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 2013. At 31 March 2013 Federal loan bonds (OFZ) included securities with fair value of RR 1 842 563 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: 4 481 424 thousand). Corporate bonds included securities with fair value of RR 6 281 432 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: 3 166 468). Corporate eurobonds included securities with fair value of RR 1 393 722 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: 1 392 806 thousand). Municipal bonds included securities with fair value of RR 29 167 thousand pledged under sale and repurchase agreements with CBRF (31 December 2012: null thousand). Refer to Notes 14 and 27.

Currency, geographical and liquidity analysis of other securities at fair value through profit or loss are disclosed in Note 25.

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Notes to the Consolidated Condensed Interim Financial Information

10 Due from Other Banks

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Short-term placements with other banks with original maturities of more than three months and less than one year | 9 411 810 | 14 763 862 |
| Long-term placements with other banks with original maturities of more than one year | 1 117 473 | 2 340 926 |
| Total due from other banks | 10 529 283 | 17 104 788 |

As at 31 March 2013 and 31 December 2012 due from other banks are neither past due nor impaired.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

11 Loans and Advances to Customers

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Loans to corporate customers (Corporate loans) | 249 258 672 | 249 674 644 |
| Loans to individuals (Retail loans) | 135 684 930 | 126 935 915 |
| Loans to small and medium entities (SME loans) | 13 374 167 | 12 442 805 |
| Loans to state and municipal organisations (Public sector) | 71 059 | 77 262 |
| Total gross loans and advances to customers | 398 388 828 | 389 130 626 |
| Less: Provision for loan impairment | (20 041 901) | (20 882 041) |
| Total loans and advances to customers | 378 346 927 | 368 248 585 |

Movements in the provision for loan impairment during three-month period ended 31 March 2013 are as follows:

| | Corporate loans | Retail loans | SME loans | Total |
|---|------------------------|---------------------|------------------|-------------------|
| Provision for loan impairment at 1 January 2013 | 13 150 413 | 6 946 098 | 785 530 | 20 882 041 |
| (Release)/charge of provision for impairment during the period | (455 375) | (149 074) | 50 573 | (553 876) |
| Release of provisions on disposed loans | (97 053) | (5 255) | (4 155) | (106 463) |
| Amounts written off during the period as uncollectible | (216 700) | (32 774) | (22 884) | (272 358) |
| Exchange differences on provision for loan impairment | 68 612 | 23 897 | 48 | 92 557 |
| Provision for loan impairment at 31 March 2013 (Unaudited) | 12 449 897 | 6 782 892 | 809 112 | 20 041 901 |

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11 Loans and Advances to Customers (Continued)

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

| <i>In thousands of Russian Roubles</i> | 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 |
| (Release)/charge of provision for impairment during the period | 186 247 | 312 199 | 22 753 | 521 199 |
| (Release)/charge of provisions on disposed loans | - | (52 877) | (34 614) | (87 491) |
| Amounts written off during the period as uncollectible | - | - | (57 059) | (57 059) |
| Exchange differences on provision for loan impairment | (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 |

During the three-month period ended 31 March 2013 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 332 707 thousand (three-month period ended 31 March 2012: RR 182 149 thousand) with cash proceeds of RR 197 316 thousand (three-month period ended 31 March 2012: RR 13 152) and other assets with carrying value of RR 32 485 thousand (three-month period ended 31 March 2012: RR 115 155). As of the date of disposal during the three-month period ended 31 March 2013 these loans were provided for impairment in the total amount of RR 106 463 thousand (three-month period ended 31 March 2012: RR 87 491 thousand). The net financial result of a loan disposal during the three-month period ended 31 March 2013 recognized in the consolidated condensed interim statement of comprehensive income was a gain of RR 3 557 thousand (three-month period ended 31 March 2012: RR 33 649 thousand).

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

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | | 31 December 2012 | |
|--|--------------------------------------|----------------|-------------------------|----------------|
| | Amount | % | Amount | % |
| Individuals | 135 684 930 | 34.06% | 126 935 915 | 32.64% |
| Manufacturing | 66 005 260 | 16.57% | 66 259 437 | 17.03% |
| Real estate | 65 843 184 | 16.53% | 67 200 936 | 17.27% |
| Trade | 41 324 598 | 10.37% | 44 324 001 | 11.39% |
| Transport, storage and communication | 33 219 369 | 8.34% | 28 564 129 | 7.34% |
| Mining | 32 119 461 | 8.06% | 35 155 187 | 9.03% |
| Financial services | 9 980 018 | 2.51% | 7 139 425 | 1.83% |
| Hotels and restaurants | 5 715 985 | 1.43% | 5 271 600 | 1.35% |
| Electricity, gas and water supply | 4 882 226 | 1.23% | 4 766 514 | 1.22% |
| Agriculture, hunting and forestry | 2 078 646 | 0.52% | 1 637 146 | 0.42% |
| Cities and municipals | 73 573 | 0.02% | 79 711 | 0.02% |
| Other | 1 461 578 | 0.36% | 1 796 625 | 0.46% |
| Total loans and advances to customers (before impairment provision) | 398 388 828 | 100.00% | 389 130 626 | 100.00% |

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11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 March 2013 is as follows:

| <i>In thousands of Russian Roubles</i> | Corporate loans | SME loans | Public sector | Total |
|---|----------------------------|-------------------|----------------------|--------------------|
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | |
| Minimal risk | 6 761 818 | - | - | 6 761 818 |
| Excellent credit standing | 15 915 039 | - | - | 15 915 039 |
| Very good credit standing | 74 719 920 | 53 474 | - | 74 773 394 |
| Good credit standing | 36 923 465 | 2 150 867 | 4 470 | 39 078 802 |
| Average credit standing | 47 630 820 | 23 257 | 66 589 | 47 720 666 |
| Mediocre credit standing | 38 220 425 | 4 094 503 | - | 42 314 928 |
| Weak credit standing | 10 606 760 | 5 270 927 | - | 15 877 687 |
| Very weak credit standing | 5 383 484 | 836 912 | - | 6 220 396 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 236 161 731 | 12 429 940 | 71 059 | 248 662 730 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | |
| - less than 30 days overdue | 32 598 | 52 501 | - | 85 099 |
| - 31 – 60 days overdue | - | 13 332 | - | 13 332 |
| - 61 – 90 days overdue | - | 35 312 | - | 35 312 |
| - 91 – 180 days overdue | - | - | - | - |
| Total past due but not impaired loans, assessed for impairment on collective basis (gross) | 32 598 | 101 145 | - | 133 743 |
| <i>Loans individually determined to be impaired</i> | | | | |
| - less than 30 days overdue | 2 905 717 | 35 372 | - | 2 941 089 |
| - 31 – 60 days overdue | 52 154 | 27 056 | - | 79 210 |
| - 61 – 90 days overdue | - | 7 788 | - | 7 788 |
| - 91 – 180 days overdue | 36 475 | 8 679 | - | 45 154 |
| - 181 – 364 days overdue | 599 105 | 104 770 | - | 703 875 |
| - over 365 days overdue | 9 470 892 | 659 417 | - | 10 130 309 |
| Total loans individually determined to be impaired (gross) | 13 064 343 | 843 082 | - | 13 907 425 |
| Total gross loans and advances to customers | 249 258 672 | 13 374 167 | 71 059 | 262 703 898 |
| Less: Provision for loan impairment | (12 449 897) | (809 112) | - | (13 259 009) |
| Total loans and advances to customers | 236 808 775 | 12 565 055 | 71 059 | 249 444 889 |

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Notes to the Consolidated Condensed Interim Financial Information

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2012 is as follows:

| <i>In thousands of Russian Roubles</i> | Corporate loans | SME loans | Public sector | Total |
|---|------------------------|-------------------|----------------------|--------------------|
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | |
| Minimal risk | 5 088 631 | - | - | 5 088 631 |
| Excellent credit standing | 17 029 437 | - | 121 | 17 029 558 |
| Very good credit standing | 71 828 115 | 9 956 | - | 71 838 071 |
| Good credit standing | 35 502 879 | 1 962 363 | 4 768 | 37 470 010 |
| Average credit standing | 58 941 010 | 155 091 | 67 309 | 59 163 410 |
| Mediocre credit standing | 31 416 428 | 3 935 371 | 5 064 | 35 356 863 |
| Weak credit standing | 10 882 224 | 4 924 486 | - | 15 806 710 |
| Very weak credit standing | 5 426 919 | 598 177 | - | 6 025 096 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 236 115 643 | 11 585 444 | 77 262 | 247 778 349 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | |
| - less than 30 days overdue | - | 59 557 | - | 59 557 |
| - 31 – 60 days overdue | - | 5 338 | - | 5 338 |
| - 61 – 90 days overdue | - | 2 933 | - | 2 933 |
| - 91 – 180 days overdue | - | - | - | - |
| Total past due but not impaired loans, assessed for impairment on collective basis (gross) | - | 67 828 | - | 67 828 |
| <i>Loans individually determined to be impaired</i> | | | | |
| - less than 30 days overdue | 2 930 431 | 12 012 | - | 2 942 443 |
| - 31 – 60 days overdue | 17 663 | - | - | 17 663 |
| - 61 – 90 days overdue | 18 812 | - | - | 18 812 |
| - 91 – 180 days overdue | 548 253 | 17 932 | - | 566 185 |
| - 181 – 364 days overdue | 1 022 905 | 112 870 | - | 1 135 775 |
| - over 365 days overdue | 9 020 937 | 646 719 | - | 9 667 656 |
| Total loans individually determined to be impaired (gross) | 13 559 001 | 789 533 | - | 14 348 534 |
| Total gross loans and advances to customers | 249 674 644 | 12 442 805 | 77 262 | 262 194 711 |
| Less: Provision for loan impairment | (13 150 413) | (785 530) | - | (13 935 943) |
| Total loans and advances to customers | 236 524 231 | 11 657 275 | 77 262 | 248 258 768 |

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11 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 March 2013 is as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured consumer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total Retail Loans |
|---|---------------------------------|-----------------------|-------------------|------------------------------------|---------------------------|
| <i>Current and not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Very good credit standing | - | 33 007 032 | 26 434 611 | - | 59 441 643 |
| Good credit standing | 57 743 916 | - | - | 7 105 464 | 64 849 380 |
| Total current and not impaired loans, assessed for impairment on a collective basis | 57 743 916 | 33 007 032 | 26 434 611 | 7 105 464 | 124 291 023 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 1 092 299 | 755 088 | 445 880 | 858 042 | 3 151 309 |
| - 31 – 60 days overdue | 306 702 | 218 002 | 116 762 | 107 100 | 748 566 |
| - 61 – 90 days overdue | 147 627 | 38 126 | 44 291 | 42 762 | 272 806 |
| Total past due but not impaired loans, assessed for impairment on a collective basis | 1 546 628 | 1 011 216 | 606 933 | 1 007 904 | 4 172 681 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - less than 30 days overdue | 187 299 | 202 454 | 47 716 | 225 822 | 663 291 |
| - 31 – 60 days overdue | 12 590 | 13 102 | 5 147 | 14 047 | 44 886 |
| - 61 – 90 days overdue | 11 920 | 6 415 | 7 308 | 8 752 | 34 395 |
| - 91 – 180 days overdue | 342 159 | 91 671 | 73 047 | 89 255 | 596 132 |
| - 181 – 364 days overdue | 715 539 | 490 469 | 128 730 | 450 571 | 1 785 309 |
| - over 365 days overdue | 2 186 150 | 642 051 | 867 026 | 401 986 | 4 097 213 |
| Total individually impaired loans (gross) | 3 455 657 | 1 446 162 | 1 128 974 | 1 190 433 | 7 221 226 |
| Total gross loans and advances to customers | 62 746 201 | 35 464 410 | 28 170 518 | 9 303 801 | 135 684 930 |
| Less: Provision for loan impaired | (3 686 299) | (717 075) | (1 135 106) | (1 244 412) | (6 782 892) |
| Total loans and advances to customers | 59 059 902 | 34 747 335 | 27 035 412 | 8 059 389 | 128 902 038 |

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Notes to the Consolidated Condensed Interim Financial Information

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 December 2012 is as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured consumer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total Retail Loans |
|---|---------------------------------|-----------------------|-------------------|------------------------------------|---------------------------|
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Very good credit standing | - | 31 406 636 | 26 490 529 | - | 57 897 165 |
| Good credit standing | 53 098 055 | - | - | 6 160 739 | 59 258 794 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 53 098 055 | 31 406 636 | 26 490 529 | 6 160 739 | 117 155 959 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 725 842 | 552 793 | 290 137 | 605 995 | 2 174 767 |
| - 31 – 60 days overdue | 226 869 | 137 139 | 77 342 | 50 753 | 492 103 |
| - 61 – 90 days overdue | 139 592 | 26 034 | 34 703 | 29 021 | 229 710 |
| Total past due but not impaired loans, assessed for impairment on a collective basis | 1 092 663 | 715 966 | 402 182 | 685 769 | 2 896 580 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - less than 30 days overdue | 171 937 | 172 564 | 52 565 | 228 733 | 625 799 |
| - 31 – 60 days overdue | 12 773 | 12 056 | 3 410 | 7 054 | 35 293 |
| - 61 – 90 days overdue | 14 178 | 4 724 | 3 652 | 9 407 | 31 961 |
| - 91 – 180 days overdue | 291 373 | 134 360 | 62 964 | 57 881 | 546 578 |
| - 181 – 364 days overdue | 428 554 | 744 726 | 358 519 | 302 325 | 1 834 124 |
| - over 365 days overdue | 1 778 032 | 842 306 | 1 012 405 | 176 878 | 3 809 621 |
| Total individually impaired loans (gross) | 2 696 847 | 1 910 736 | 1 493 515 | 782 278 | 6 883 376 |
| Total gross loans and advances to customers | 56 887 565 | 34 033 338 | 28 386 226 | 7 628 786 | 126 935 915 |
| Less: Provision for loan impaired | (3 746 282) | (838 639) | (1 269 579) | (1 091 598) | (6 946 098) |
| Total loans and advances to customers | 53 141 283 | 33 194 699 | 27 116 647 | 6 537 188 | 119 989 817 |

Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

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12 Investment Securities Held to Maturity

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|---|--------------------------------------|-----------------------------|
| Corporate bonds | 509 381 | 521 982 |
| Total gross investment securities held to maturity | 509 381 | 521 982 |
| Less: Provision for impairment | (15 811) | (16 202) |
| Total investment securities held to maturity | 493 570 | 505 780 |

Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 25.

13 Derivatives and Other Financial Assets

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|---|--------------------------------------|-----------------------------|
| Fair value of currency rate based financial derivatives | 5 675 320 | 7 688 180 |
| Fair value of interest rate based financial derivatives | 1 640 098 | 1 468 457 |
| Plastic card receivables | 695 186 | 1 468 276 |
| Trade receivables | 55 919 | 37 449 |
| Total derivatives and other financial assets | 8 066 523 | 10 662 362 |

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

14 Due to Other Banks

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Sale and repurchase agreements with securities with CBRF | 13 715 574 | 20 723 362 |
| Short-term placements of other banks | 5 400 123 | 23 977 690 |
| Long-term placements of other banks | 4 895 325 | 4 508 475 |
| Correspondent accounts and overnight placements of other banks | 4 153 054 | 5 526 779 |
| Total due to other banks | 28 164 076 | 54 736 306 |

At 31 March 2013 included in due to banks are deposits of RR 118 211 thousand (31 December 2012: RR 103 999 thousand) held as collateral for irrevocable commitments under guarantees.

At 31 March 2013, included in amounts due to other banks are liabilities of RR 13 715 574 thousand (31 December 2012: RR 20 723 362) from sale and repurchase agreements. Refer to Notes 8, 9 and 27. As at 31 March 2013 the fair value of securities purchased under reverse securities sale and repurchase agreements and sold under direct sale and repurchase agreements with other banks amounted to RR 4 351 705 thousand (31 December 2012: RR 5 849 877).

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

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15 Customer Accounts

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| State and public organisations | | |
| - Current/settlement accounts | 768 953 | 721 894 |
| - Term deposits | 6 129 128 | 40 091 |
| Legal entities | | |
| - Current/settlement accounts | 126 479 744 | 95 573 928 |
| - Term deposits | 50 829 871 | 72 290 554 |
| Individuals | | |
| - Current/demand accounts | 100 130 305 | 96 429 140 |
| - Term deposits | 144 934 383 | 134 708 434 |
| Total customer accounts | 429 272 384 | 399 764 041 |

At 31 March 2013 the Group had one customer (31 December 2012: one customer) with a balance above 10% of consolidated equity of the Group as at this date. The balance of that customer was RR 39 197 962 thousand (31 December 2012: RR 18 216 508) or 9.13% (31 December 2012: 4.56%) of total customer accounts.

At 31 March 2013 included in customer accounts are deposits of RR 14 315 thousand (31 December 2012: RR 10 049 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 27.

At 31 March 2013 included in customer accounts are deposits of RR 1 960 184 thousand (31 December 2012: RR 1 960 487 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 27.

Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

16 Term Borrowings from the Parent Bank

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Loans from the Parent Bank maturing in 2013-2016 | 35 308 530 | 34 056 948 |
| Subordinated loans from the Parent Bank maturing in 2013 | 6 913 310 | 6 749 915 |
| Total term borrowings from the Parent Bank | 42 221 840 | 40 806 863 |

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 16. The information on related party balances is disclosed in Note 28.

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17 Term Borrowing from Other Financial Institutions

| <i>In thousands of Russian Roubles</i> | Note | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|------|------------------------------|---------------------|
| Loans secured by diversified payment rights | | 5 382 089 | 5 256 024 |
| Loans from commercial banks maturing in 2013 | | 1 977 894 | 1 925 881 |
| Loans from development banks maturing in 2013-2015 | | 762 156 | 896 412 |
| Total term borrowings from other financial institutions | | 8 122 139 | 8 078 317 |

Term borrowings from other financial institutions are represented by long term obligations of the Group denominated in Russian Roubles and US Dollars and issued by large international banks and asset backed securities. These borrowings have maturity dates ranging from 2013 up to 2017 (2012: from 2013 up to 2017) and Libor dependent floating interest rates.

In June 2012 the Group issued floating rate loan participation notes of Series 2012-A in the amount of USD 50 million, Series 2012-B in the amount of 75 million and Series 2012-C in the amount of 50 million secured by the Bank's diversified payment rights, i.e. the rights to funds being transferred to the Bank's USD and EUR correspondent accounts. The principal of the notes is repaid quarterly starting for Series 2012-A notes from August 2014 for Series 2012-B and Series 2012-C notes from August 2015 with the final maturity of Series 2012-A notes in May 2017 and Series 2012-B and Series 2012-C notes in May 2019. Outstanding amount of secured obligations amounts to USD 175 million.

The Group is subject to certain covenants related to its term borrowings from other financial institutions. Refer to Note 27.

Currency, geographical and liquidity analysis of term borrowings from other financial institutions are disclosed in Note 25. The information on related party balances is disclosed in Note 28.

18 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|------------------------------|---------------------|
| Fair value of interest rate based financial derivatives | 3 605 955 | 3 509 475 |
| Fair value of currency rate based financial derivatives | 3 188 894 | 2 060 660 |
| Provision for credit related commitments | 553 310 | 606 379 |
| Plastic cards payables | 194 637 | 491 578 |
| Trade payables | 49 992 | 60 134 |
| Settlements on conversion operations | 10 601 | 4 057 |
| Other | 12 918 | 8 519 |
| Total derivatives and other financial liabilities | 7 616 307 | 6 740 802 |

Movement in the provisions for credit related commitments during three-months period ended 31 March 2013 includes provision release of RR 53 069 thousand (during three-months period ended 31 March 2012: release of RR 176 676 thousand) and utilization of provision in the amount of RR nil thousand (during three-months period ended 31 March 2012: RR 172 941).

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 25. Information on related party transactions is presented in Note 28.

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19 Interest Income and Expense

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|--|---|---|
| Interest income | | |
| Loans and advances to legal entities | 4 611 376 | 4 972 466 |
| Loans and advances to retail customers | 4 486 384 | 3 772 551 |
| Other securities at fair value through profit and loss | 702 874 | 3 383 |
| Due from other banks | 520 183 | 384 563 |
| Trading securities | 287 960 | 852 279 |
| Interest income on impaired financial assets | 87 149 | 69 223 |
| Investment securities available for sale | - | 84 213 |
| Debt securities held to maturity | 13 721 | 13 661 |
| Total interest income | 10 709 647 | 10 152 339 |
| Interest expense | | |
| Term deposits of individuals | 1 400 530 | 1 308 944 |
| Term deposits of legal entities | 829 460 | 1 186 408 |
| Current/settlement accounts | 521 156 | 389 955 |
| Term placements of other banks | 489 862 | 227 455 |
| Debt securities in issue | 294 805 | 250 418 |
| Term borrowings from the Parent Bank | 285 682 | 344 127 |
| Term borrowings from other financial institutions | 55 666 | 282 514 |
| Correspondent accounts of other banks | 4 446 | 5 091 |
| Total interest expense | 3 881 607 | 3 994 912 |
| Net interest income | 6 828 040 | 6 157 427 |

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20 Fee and Commission Income and Expense

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|--|---|---|
| Fee and commission income | | |
| Commissions on operations with plastic cards | 1 379 058 | 1 088 829 |
| Commissions on documentary business and guarantees | 294 742 | 253 563 |
| Commissions on settlement transactions | 266 396 | 288 150 |
| Agent insurance fee | 264 118 | 144 292 |
| Commissions on cash operations | 198 497 | 198 291 |
| Credit facility fee | 173 108 | 166 748 |
| Fiduciary activities | 151 084 | 113 192 |
| Early and late repayment fees | 116 676 | 67 410 |
| Commissions on export operations | 96 845 | 95 926 |
| Commissions on transactions with securities | 32 583 | 28 131 |
| Commissions on transfer payments | 26 784 | 42 881 |
| Commissions from investment banking | 22 950 | 34 159 |
| Other | 76 865 | 90 890 |
| Total fee and commission income | 3 099 706 | 2 612 462 |
| Fee and commission expense | | |
| Commissions on operations with plastic cards | 552 270 | 371 153 |
| Commissions on settlement transactions | 118 233 | 128 095 |
| Commissions on cash operations | 68 341 | 59 957 |
| Commissions on transactions with securities | 25 168 | 29 870 |
| Commissions on transfer payments | 13 607 | 25 227 |
| Credit facility fee | 4 576 | 1 420 |
| Commissions on documentary business | 1 703 | 3 718 |
| Other | 8 055 | 16 920 |
| Total fee and commission expense | 791 953 | 636 360 |
| Net fee and commission income | 2 307 753 | 1 976 102 |

21 Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|---|---|---|
| Interest rate swaps | 58 958 | 226 346 |
| Foreign exchange forwards | 48 790 | (173 854) |
| Foreign exchange options | 3 494 | (2 395) |
| Cross currency interest rate swaps | (487 096) | (1 736 379) |
| Foreign exchange swaps | (2 721 720) | 2 176 898 |
| Total unrealized gains less losses/(losses less gains) from derivative financial instruments | (3 097 574) | 490 616 |

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22 Realized Gains less Losses from Derivative Financial Instruments

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|---|---|---|
| Foreign exchange swaps | 1 416 782 | 1 595 523 |
| Foreign exchange forwards | 135 321 | 157 157 |
| Cross currency interest rate swaps | 49 952 | (167 321) |
| Foreign exchange futures | (1 928) | - |
| Foreign exchange options | (3 766) | 80 742 |
| Interest rate swaps | (158 383) | (208 049) |
| Total realized gains less losses from derivative financial instruments | 1 437 978 | 1 458 052 |

23 Administrative and Other Operating Expenses

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|--|---|---|
| Staff costs | 2 864 421 | 2 601 556 |
| Rent expenses | 465 315 | 618 314 |
| Depreciation of premises and equipment | 429 901 | 344 232 |
| IT services | 222 318 | 175 794 |
| Deposit insurance fee | 218 506 | 198 651 |
| Premises and equipment maintenance expenses | 181 403 | 169 800 |
| Amortisation and write-off of intangible assets | 165 971 | 128 732 |
| Advertising and marketing | 152 963 | 93 217 |
| Professional services | 111 090 | 178 962 |
| Communication expenses | 97 133 | 100 488 |
| Security expenses | 41 701 | 50 637 |
| Taxes other than on income | 54 445 | 76 482 |
| Other | 140 068 | 170 013 |
| Total administrative and other operating expenses | 5 145 235 | 4 906 878 |

24 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by Managing board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organized on a basis of three primary business divisions:

- Corporate banking – comprises corporate lending, loans to corporate entities and state and municipal organizations, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services and leasing services.

24 Segment Analysis (Continued)

- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans and loans to small and medium entities, auto loans and mortgages, money transfers and private banking services.
- Proprietary business – comprises securities trading, debt and equity capital markets services, foreign currency and derivative products, structured financing, lending, including loans and advances to banks and other financial institutions and other transactions.

In addition to the primary business divisions, the performance of the Group is being assessed on a basis of seven geographical regions (“Hubs”) located across the Russian Federation. These geographical hubs are: Moscow, Centre, North – West, Siberia, South, Ural and Volga.

(b) Factors that management used to identify the reportable segments

The Group’s business divisions are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments’ profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates, which are determined by reference to market interest rate benchmarks.

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

(d) Information about reportable segment profit or loss, assets and liabilities by business divisions

Assets and liabilities of business segments of the Group are set out below:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Corporate business | 243 135 563 | 247 607 981 |
| Retail business | 149 398 611 | 139 663 033 |
| Proprietary business | 234 169 618 | 227 367 286 |
| Total business division assets | 626 703 792 | 614 638 300 |
| Corporate business | 157 826 844 | 145 651 383 |
| Retail business | 243 875 220 | 236 313 541 |
| Proprietary business | 123 711 424 | 136 621 351 |
| Total business division liabilities | 525 413 488 | 518 586 275 |

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24 Segment Analysis (Continued)

Business divisions of the Group for the Three-Month period ended 31 March 2013 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Interest result | 2 073 693 | 3 867 329 | 1 102 831 | 7 043 853 |
| Fee and commission result | 912 993 | 1 793 180 | 41 077 | 2 747 250 |
| Provision for loan impairment | 555 834 | 122 142 | - | 677 976 |
| Trading result | (11 853) | - | 1 279 444 | 1 267 591 |
| Valuation result from hedge accounting and other derivative instruments | - | - | (18 659) | (18 659) |
| Net income from investments | - | 532 517 | 524 573 | 1 057 090 |
| General administrative expenses | (1 007 654) | (3 526 505) | (344 676) | (4 878 835) |
| Other operating profit/loss | - | - | (12 043) | (12 043) |
| Total business division result before tax | 2 523 013 | 2 788 663 | 2 572 547 | 7 884 223 |
| Income taxes | - | - | - | (1 663 911) |
| Total business division result after tax | 2 523 013 | 2 788 663 | 2 572 547 | 6 220 312 |

Business divisions of the Group for the three-month period ended 31 March 2012 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Interest result | 2 353 528 | 3 776 672 | 788 120 | 6 918 320 |
| Fee and commission result | 934 770 | 1 625 528 | (54 900) | 2 505 398 |
| Provision for loan impairment | 181 942 | (342 737) | 8 146 | (152 649) |
| Trading result | 262 910 | - | 1 248 031 | 1 510 941 |
| Valuation result from hedge accounting and other derivative instruments | - | - | (396 104) | (396 104) |
| Net income from investments | - | - | 216 | 216 |
| General administrative expenses | (1 012 498) | (3 239 091) | (371 145) | (4 622 734) |
| Other operating profit/loss | - | - | (82 665) | (82 665) |
| Total business division result before tax | 2 720 652 | 1 820 372 | 1 139 699 | 5 680 723 |
| Income taxes | - | - | - | (1 458 344) |
| Total business division result after tax | 2 720 652 | 1 820 372 | 1 139 699 | 4 222 379 |

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues. Based on domicile of the customers substantially all of the revenues are from Russian customers.

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24 Segment Analysis (Continued)

Major ratio calculations for the reportable segment of the Group for the three-months period ended 31 March 2013 and the year ended 31 December 2012 are set out below:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Capital expenditure | 369 386 | 5 856 153 |
| Cost/income ratio | 41.14% | 47.59% |
| Average equity | 110 219 181 | 101 607 481 |
| Return on equity before tax | 28.92% | 22.55% |
| Return on equity after tax | 22.88% | 17.57% |

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

(e) Information about reportable segment profit or loss, assets and liabilities by geographical location

Hubs of the Group for the Three-Month period ended 31 March 2013 are as follows:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Head Office | 228 427 888 | 224 476 303 |
| Moscow | 190 494 611 | 194 055 826 |
| Centre | 15 917 736 | 14 265 864 |
| North-West | 47 991 635 | 44 677 761 |
| Siberia | 52 125 434 | 52 076 852 |
| South | 25 299 891 | 21 157 781 |
| Ural | 35 012 966 | 34 548 692 |
| Volga | 31 433 631 | 29 379 221 |
| Total hub assets | 626 703 792 | 614 638 300 |
| Head Office | 100 691 094 | 122 486 040 |
| Moscow | 331 142 971 | 301 473 087 |
| Centre | 7 266 607 | 6 655 989 |
| North-West | 49 202 891 | 47 473 350 |
| Siberia | 9 389 616 | 12 130 405 |
| South | 6 786 660 | 8 291 518 |
| Ural | 11 187 938 | 10 138 683 |
| Volga | 9 745 711 | 9 937 203 |
| Total hub liabilities | 525 413 488 | 518 586 275 |

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24 Segment Analysis (Continued)

Hubs of the Group for the Three-Month period ended 31 March 2013 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Ural (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | Volga (Unaudited) | South (Unaudited) | Centre (Unaudited) | Total (Unaudited) |
|--|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|--------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|
| Net interest result | 1 013 393 | 3 392 626 | 385 348 | 759 645 | 539 106 | 376 737 | 321 975 | 255 023 | 7 043 853 |
| Net fee and commission result | (18 942) | 1 659 418 | 170 791 | 407 518 | 168 575 | 152 183 | 120 179 | 87 528 | 2 747 250 |
| Provision for loan impairment | 38 569 | 353 800 | 375 287 | 32 596 | 27 677 | 33 768 | (77 874) | (105 847) | 677 976 |
| Trading result | 1 273 482 | (4 372) | - | 1 043 | - | (2 004) | - | (558) | 1 267 591 |
| Valuation result from hedge accounting and other derivative instruments | (18 659) | - | - | - | - | - | - | - | (18 659) |
| Net income from investments | 1 057 090 | - | - | - | - | - | - | - | 1 057 090 |
| General administrative expenses | (185 283) | (2 395 454) | (282 894) | (603 268) | (501 641) | (387 908) | (289 548) | (232 839) | (4 878 835) |
| Other operating profit/loss | (12 043) | - | - | - | - | - | - | - | (12 043) |
| Total hub result before tax | 3 147 607 | 3 006 018 | 648 532 | 597 534 | 233 717 | 172 776 | 74 732 | 3 307 | 7 884 223 |
| Income taxes | (1 663 911) | - | - | - | - | - | - | - | (1 663 911) |
| Total hub result after tax | 1 483 696 | 3 006 018 | 648 532 | 597 534 | 233 717 | 172 776 | 74 732 | 3 307 | 6 220 312 |

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24 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 31 March 2012 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Ural (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | Volga (Unaudited) | South (Unaudited) | Centre (Unaudited) | Total (Unaudited) |
|---|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|--------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|
| Net interest result | 668 472 | 3 849 238 | 382 389 | 750 817 | 427 985 | 419 357 | 185 466 | 234 596 | 6 918 320 |
| Net fee and commission result | (76 300) | 1 682 302 | 98 297 | 336 484 | 134 101 | 122 687 | 106 168 | 101 659 | 2 505 398 |
| Provision for loan impairment | 4 | 821 876 | (26 185) | (866 583) | (124 388) | 57 213 | (12 971) | (1 615) | (152 649) |
| Trading result | 1 248 610 | 262 331 | - | - | - | - | - | - | 1 510 941 |
| Valuation result from hedge accounting and other derivative instruments | (396 104) | - | - | - | - | - | - | - | (396 104) |
| Net income from investments | 216 | - | - | - | - | - | - | - | 216 |
| General administrative expenses | (307 526) | (2 142 102) | (276 656) | (561 086) | (439 351) | (371 244) | (297 497) | (227 272) | (4 622 734) |
| Other operating profit/loss | (82 665) | - | - | - | - | - | - | - | (82 665) |
| Total hub result before tax | 1 054 707 | 4 473 645 | 177 845 | (340 368) | (1 653) | 228 013 | (18 834) | 107 368 | 5 680 723 |
| Income taxes | (1 458 344) | - | - | - | - | - | - | - | (1 458 344) |
| Total hub result after tax | (403 637) | 4 473 645 | 177 845 | (340 368) | (1 653) | 228 013 | (18 834) | 107 368 | 4 222 379 |

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24 Segment Analysis (Continued)

(f) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

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

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|---|---|---|
| Total interest and fee and commission result for segment | 9 791 103 | 9 423 718 |
| Reclassification of interest result to trading result and net income from investments | (299 758) | (815 910) |
| Reclassification of commission result to trading result | (518 576) | (557 515) |
| Reclassification of provision for loan impairment to interest result and unwinding effect | 86 309 | 57 426 |
| Effect of the consolidation of the subsidiaries and other adjustments | 76 715 | 25 810 |
| Total net interest and fee and commission result | 9 135 793 | 8 133 529 |

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

Reconciliation of reportable segment result is presented below.

| <i>In thousands of Russian Roubles</i> | Three-Month Period Ended 31 March 2013 (Unaudited) | Three-Month Period Ended 31 March 2012 (Unaudited) |
|---|---|---|
| Total segment result | 6 220 312 | 4 222 379 |
| Consolidation of subsidiaries and associate Intercompany adjustments and other | 101 830 (16 915) | 321 749 (161 789) |
| Profit after tax | 6 305 227 | 4 382 339 |

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24 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the Three-Month period ended 31 March 2013 is as follows:

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|--|--|------------------------|---|---------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the Three- Month period ended 31 March 2013 | | | | |
| Net interest result | 7 043 853 | (213 449) | (2 364) | 6 828 040 |
| Net fee and commission result | 2 747 250 | (518 576) | 79 079 | 2 307 753 |
| Provision for loan impairment | 677 976 | (86 309) | 18 835 | 610 502 |
| Trading result | 1 267 591 | 769 849 | 14 770 | 2 052 210 |
| Valuation result from hedge accounting and other derivative instruments | (18 659) | 48 485 | - | 29 826 |
| Net income from investments | 1 057 090 | - | - | 1 057 090 |
| Depreciation and amortization | (594 195) | - | (1 677) | (595 872) |
| Other administrative expenses | (4 284 640) | - | (124 655) | (4 409 295) |
| Share of profit of associates | - | - | 106 556 | 106 556 |
| Other operating profit/(loss) | (12 043) | - | (5 609) | (17 652) |
| Income taxes | (1 663 911) | - | (20) | (1 663 931) |

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

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|--|--|------------------------|---|---------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the three- month period ended 31 March 2012 | | | | |
| Net interest result | 6 918 320 | (758 484) | (2 409) | 6 157 427 |
| Net fee and commission result | 2 505 398 | (557 515) | 28 219 | 1 976 102 |
| Provision for loan impairment | (152 649) | (192 088) | 33 863 | (310 874) |
| Trading result | 1 510 941 | 1 429 239 | (33 494) | 2 906 686 |
| Valuation result from hedge accounting and other derivative instruments | (396 104) | 78 842 | 101 | (317 161) |
| Net income from investments | 216 | 6 | 15 101 | 15 232 |
| Depreciation and amortization | (471 481) | - | (1 483) | (472 964) |
| Other administrative expenses | (4 151 253) | - | (112 648) | (4 263 901) |
| Share of profit of associates | - | - | 133 922 | 133 922 |
| Other operating profit/(loss) | (82 665) | - | (55 125) | (137 790) |
| Income taxes | (1 458 344) | - | 153 913 | (1 304 431) |

24 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 2013:

- reclassification of computed refinancing cost of trading portfolio from trading result to interest and similar expenses in the amount RR 722 010 thousand (for Three-Month period ended 31 March 2012: 450 243 thousand); and
- reclassification of computed refinancing cost of other securities at fair value through profit or loss portfolio from interest similar expenses to interest and similar income in the amount RR 508 144 thousand (for Three-Month period ended 31 March 2012: 6 thousand); and
- reclassification of interest expenses from interest rate derivatives from interest and similar expenses to trading result in the amount of RR 2 248 660 thousand (for Three-Month period ended 31 March 2012: RR 2 305 489 thousand).

Reclassification in Provision for loan impairment movement for the reporting period of unwinding effect to interest and similar income is equal to the amount of RR 87 149 thousand (for Three-Month period ended 31 March 2012: RR 57 426 thousand).

Reclassification in Trading result for Three-Month period ended 31 March 2013:

- the total amount of reclassification from trading result to interest and similar expenses is equal to the amount of RR 722 010 thousand (for Three-Month period ended 31 March 2012: RR 450 243 thousand);
- the total amount of reclassification to trading result from interest and similar expenses is equal to the amount of RR 2 248 660 thousand (for Three-Month period ended 31 March 2012: RR 2 305 489 thousand);
- reclassification of interest income from interest rate derivatives from interest and similar income to trading result in the amount of RR 2 645 343 thousand (for Three-Month period ended 31 March 2012: RR 2 671 150 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 48 485 thousand (for Three-Month period ended 31 March 2012: RR plus 78 842 thousand);
- reclassification of coupon income for trading securities from trading result to interest income in the amount of RR 287 960 thousand (for Three-Month period ended 31 March 2012: RR 852 279 thousand);
- reclassification of the result on clients' foreign exchange transactions from commission income to trading result in the amount of RR 524 457 thousand (for Three-Month period ended 31 March 2012: 580 877 thousand).

25 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 2012.

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 Group'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 Group. The Group is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Group'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 Group's risk management activities and practices.

The Group 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 Group uses for internal pricing against the value of all future cash flows in the current market increased by one basis point.

The Group 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 Group'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 Group's Head Office and all regional and Moscow branches.

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25 Financial Risk Management (Continued)

The Group's Treasury Directorate undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Bank's currency position on a minimum level. The Group 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 2013:

| <i>In thousands of Russian Roubles</i> | RUR | USD | EUR | Other | Total |
|---|--------------------|---------------------|--------------------|------------------|--------------------|
| Cash and cash equivalents | 45 627 685 | 38 841 751 | 61 044 855 | 94 749 | 145 609 040 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 822 528 | - | - | - | 5 822 528 |
| Trading securities and repurchase receivables related to trading securities | 26 374 707 | 798 846 | - | - | 27 173 553 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 38 470 872 | 4 386 550 | - | - | 42 857 422 |
| Due from other banks | 10 356 551 | 171 593 | - | 1 139 | 10 529 283 |
| Loans and advances to customers | 211 654 394 | 155 864 021 | 10 828 512 | - | 378 346 927 |
| Securities held-to-maturity | 493 570 | - | - | - | 493 570 |
| Derivatives and other financial assets | 3 510 874 | 3 385 233 | 545 105 | 625 311 | 8 066 523 |
| Total monetary financial assets | 342 311 181 | 203 447 994 | 72 418 472 | 721 199 | 618 898 846 |
| Due to other banks | 21 315 770 | 6 152 888 | 673 196 | 22 222 | 28 164 076 |
| Customer accounts | 270 490 064 | 97 741 948 | 57 425 414 | 3 614 958 | 429 272 384 |
| Term borrowings from the Parent Bank | - | 36 425 291 | 5 796 549 | - | 42 221 840 |
| Term borrowings from other financial institutions | - | 8 122 139 | - | - | 8 122 139 |
| Debt securities in issue | 13 723 898 | 294 057 | 358 724 | - | 14 376 679 |
| Other financial liabilities | 1 118 559 | 5 069 864 | 290 099 | 1 137 785 | 7 616 307 |
| Total monetary financial liabilities | 306 648 291 | 153 806 187 | 64 543 982 | 4 774 965 | 529 773 425 |
| Less fair value of currency derivatives | 2 283 197 | 228 315 | 202 624 | (227 710) | 2 486 426 |
| Currency derivatives | 55 822 315 | (48 936 518) | (8 476 804) | 4 077 433 | 2 486 426 |
| Net position including currency derivatives | 89 202 008 | 476 974 | (804 938) | 251 377 | 89 125 421 |

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25 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2012 is presented below:

| <i>In thousands of Russian Roubles</i> | RUR | USD | EUR | Other | Total |
|---|--------------------|---------------------|-------------------|--------------------|--------------------|
| Cash and cash equivalents | 70 884 915 | 39 652 604 | 41 783 513 | 2 016 082 | 154 337 114 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 773 792 | - | - | - | 5 773 792 |
| Trading securities and repurchase receivables related to trading securities | 12 185 733 | 1 010 812 | - | - | 13 196 545 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 31 820 158 | 3 700 009 | - | - | 35 520 167 |
| Due from other banks | 10 860 767 | 6 244 021 | - | - | 17 104 788 |
| Loans and advances to customers | 198 912 395 | 153 165 635 | 12 579 330 | 3 591 225 | 368 248 585 |
| Securities held-to-maturity | 505 780 | - | - | - | 505 780 |
| Derivatives and other financial assets | 6 091 207 | 3 707 972 | 646 972 | 216 211 | 10 662 362 |
| Total monetary financial assets | 337 034 747 | 207 481 053 | 55 009 815 | 5 823 518 | 605 349 133 |
| Due to other banks | 49 606 324 | 4 432 400 | 676 602 | 20 980 | 54 736 306 |
| Customer accounts | 261 056 876 | 78 744 515 | 56 488 031 | 3 474 619 | 399 764 041 |
| Term borrowings from the Parent Bank | - | 35 580 114 | 5 226 749 | - | 40 806 863 |
| Term borrowings from other financial institutions | - | 8 078 317 | - | - | 8 078 317 |
| Debt securities in issue | 12 559 379 | 281 057 | 354 759 | - | 13 195 195 |
| Other financial liabilities | 2 542 434 | 3 618 707 | 112 884 | 466 777 | 6 740 802 |
| Total monetary financial liabilities | 325 765 013 | 130 735 110 | 62 859 025 | 3 962 376 | 523 321 524 |
| Less fair value of currency derivatives | 3 039 893 | 2 122 023 | 465 406 | 198 | 5 627 520 |
| Currency derivatives | 74 603 740 | (75 144 355) | 8 278 485 | (2 110 350) | 5 627 520 |
| Net position including currency derivatives | 82 833 581 | (520 435) | (36 131) | (249 406) | 82 027 609 |

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.

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Notes to the Consolidated Condensed Interim Financial Information

25 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 March 2013 is set out below:

| | Russia | Austria | Other European Union | Other countries | Total |
|---|--------------------|---------------------|-------------------------------------|----------------------------|--------------------|
| In thousands of Russian Roubles | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 52 611 668 | 36 919 153 | 6 759 732 | 49 318 487 | 145 609 040 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 822 528 | - | - | - | 5 822 528 |
| Trading securities and repurchase receivables related to trading securities | 26 379 474 | - | 798 846 | - | 27 178 320 |
| Other securities at fair value through profit or loss | 38 883 985 | - | 4 185 884 | - | 43 069 869 |
| Due from other banks | 9 965 846 | 13 055 | 1 554 | 548 828 | 10 529 283 |
| Loans and advances to customers | 337 838 053 | 1 047 | 33 854 064 | 6 653 763 | 378 346 927 |
| Securities held-to-maturity | 493 570 | - | - | - | 493 570 |
| Derivatives and other financial assets | 2 991 131 | 4 006 475 | 979 590 | 89 327 | 8 066 523 |
| Total financial assets | 474 986 255 | 40 939 730 | 46 579 670 | 56 610 405 | 619 116 060 |
| Liabilities | | | | | |
| Due to other banks | 20 151 334 | 3 480 722 | 2 675 095 | 1 856 925 | 28 164 076 |
| Customer accounts | 418 426 704 | 1 096 607 | 8 357 051 | 1 392 022 | 429 272 384 |
| Term borrowings from the Parent Bank | - | 42 221 840 | - | - | 42 221 840 |
| Term borrowings from other financial institutions | - | 1 974 791 | 5 385 192 | 762 156 | 8 122 139 |
| Debt securities in issue | 14 376 679 | - | - | - | 14 376 679 |
| Other financial liabilities | 1 649 285 | 3 740 400 | 2 081 748 | 144 874 | 7 616 307 |
| Total financial liabilities | 454 602 483 | 52 514 360 | 18 499 086 | 4 155 977 | 529 773 425 |
| Net balance sheet position | 20 383 772 | (11 574 630) | 28 080 584 | 52 454 428 | 89 342 635 |
| Credit related commitments (Note 26) | 217 521 064 | 1 680 888 | 5 850 919 | 2 342 014 | 227 394 885 |

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.

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25 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2012 is set out below:

| | Russia | Austria | Other European Union | Other countries | Total |
|---|--------------------|-------------------|----------------------------|--------------------|--------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 80 422 146 | 61 904 121 | 5 212 922 | 6 797 925 | 154 337 114 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 773 792 | - | - | - | 5 773 792 |
| Trading securities and repurchase receivables related to trading securities | 12 190 379 | - | 1 010 812 | - | 13 201 191 |
| Other securities at fair value through profit or loss | 30 818 176 | - | 5 092 951 | - | 35 911 127 |
| Due from other banks | 10 617 449 | 6 090 575 | - | 396 764 | 17 104 788 |
| Loans and advances to customers | 331 188 124 | 746 | 32 083 363 | 4 976 352 | 368 248 585 |
| Investment securities available for sale | - | - | - | 1 007 304 | 1 007 304 |
| Investment securities held-to-maturity | 505 780 | - | - | - | 505 780 |
| Derivatives and other financial assets | 3 642 763 | 4 618 114 | 2 336 279 | 65 206 | 10 662 362 |
| Total financial assets | 475 158 609 | 72 613 556 | 45 736 327 | 13 243 551 | 606 752 043 |
| Liabilities | | | | | |
| Due to other banks | 46 961 389 | 4 008 106 | 2 811 285 | 955 526 | 54 736 306 |
| Customer accounts | 389 811 941 | 2 098 270 | 6 423 045 | 1 430 785 | 399 764 041 |
| Term borrowings from the Parent Bank | - | 40 806 863 | - | - | 40 806 863 |
| Term borrowings from other financial institutions | - | 1 969 561 | 5 259 055 | 849 701 | 8 078 317 |
| Debt securities in issue | 13 195 195 | - | - | - | 13 195 195 |
| Derivatives and other financial liabilities | 2 416 451 | 2 844 039 | 1 351 213 | 129 099 | 6 740 802 |
| Total financial liabilities | 452 384 976 | 51 726 839 | 15 844 598 | 3 365 111 | 523 321 524 |
| Net balance sheet position | 22 773 633 | 20 886 717 | 29 891 729 | 9 878 440 | 83 430 519 |
| Credit related commitments (Note 26) | 204 047 230 | 1 896 585 | 5 768 565 | 2 403 405 | 214 115 785 |

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 2013 or 31 December 2012.

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.

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24 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 2013 and 31 December 2012:

| <i>in thousands of Russian Roubles</i> | Demand and less than 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|--------------------------------------|----------------------------|--------------------------|---------------------|--------------------|
| Cash and cash equivalents | 145 609 040 | - | - | - | 145 609 040 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 822 528 | - | - | - | 5 822 528 |
| Trading securities | 27 178 320 | - | - | - | 27 178 320 |
| Other securities at fair value through profit or loss | 43 069 869 | - | - | - | 43 069 869 |
| Due from other banks | 5 573 579 | 4 051 286 | 904 418 | - | 10 529 283 |
| Loans and advances to customers | 68 350 556 | 83 197 836 | 176 470 126 | 50 328 409 | 378 346 927 |
| Securities held-to-maturity portfolio | - | - | 493 570 | - | 493 570 |
| Other financial assets | 1 985 854 | 1 143 234 | 4 791 317 | 146 118 | 8 066 523 |
| Total financial assets | 297 589 746 | 88 392 356 | 182 659 431 | 50 474 527 | 619 116 060 |
| Due to other banks | 23 164 868 | 199 409 | 4 799 799 | - | 28 164 076 |
| Customer accounts | 306 787 158 | 87 452 066 | 33 639 728 | 1 393 432 | 429 272 384 |
| Term borrowings from the Parent bank | 701 920 | 9 581 810 | 31 938 110 | - | 42 221 840 |
| Term borrowings from other financial institutions | 42 237 | 2 021 107 | 4 848 110 | 1 210 685 | 8 122 139 |
| Debt securities in issue | - | 14 376 679 | - | - | 14 376 679 |
| Other financial liabilities | 1 863 934 | 363 788 | 4 616 393 | 772 192 | 7 616 307 |
| Total financial liabilities | 332 560 117 | 113 994 859 | 79 842 140 | 3 376 309 | 529 773 425 |
| Net liquidity gap at 31 March 2013 | (34 970 371) | (25 602 503) | 102 817 291 | 47 098 218 | 89 342 635 |
| Cumulative gap at 31 March 2013 | (34 970 371) | (60 572 874) | 42 244 417 | 89 342 635 | |

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25 Financial Risk Management (Continued)

| <i>in thousands of Russian Roubles</i> | Demand and less than 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|--------------------------------------|----------------------------|--------------------------|---------------------|--------------------|
| Cash and cash equivalents | 154 337 114 | - | - | - | 154 337 114 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 773 792 | - | - | - | 5 773 792 |
| Trading securities | 13 201 191 | - | - | - | 13 201 191 |
| Other securities at fair value through profit or loss | 35 911 127 | - | - | - | 35 911 127 |
| Investment securities available for sale | 1 007 304 | - | - | - | 1 007 304 |
| Due from other banks | 12 540 551 | 3 701 894 | 862 343 | - | 17 104 788 |
| Loans and advances to customers | 70 846 035 | 84 052 977 | 170 093 304 | 43 256 269 | 368 248 585 |
| Securities held-to-maturity portfolio | - | - | 505 780 | - | 505 780 |
| Other financial assets | 3 739 139 | 2 193 611 | 4 573 301 | 156 311 | 10 662 362 |
| Total financial assets | 297 356 253 | 89 948 482 | 176 034 728 | 43 412 580 | 606 752 043 |
| Due to other banks | 50 068 719 | 245 060 | 4 422 527 | - | 54 736 306 |
| Customer accounts | 287 201 742 | 67 853 834 | 43 335 637 | 1 372 828 | 399 764 041 |
| Term borrowings from the Parent bank | 1 845 193 | 9 396 986 | 29 564 684 | - | 40 806 863 |
| Term borrowings from other financial institutions | 21 946 | 1 990 932 | 4 646 491 | 1 418 948 | 8 078 317 |
| Debt securities in issue | - | 13 195 195 | - | - | 13 195 195 |
| Other financial liabilities | 1 400 684 | 317 445 | 4 311 192 | 711 481 | 6 740 802 |
| Total financial liabilities | 340 538 284 | 92 999 452 | 86 280 531 | 3 503 257 | 523 321 524 |
| Net liquidity gap at 31 December 2012 | (43 182 031) | (3 050 970) | 89 754 197 | 39 909 323 | 83 430 519 |
| Cumulative gap at 31 December 2012 | (43 182 031) | (46 233 001) | 43 521 196 | 83 430 519 | |

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.

26 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Austrian Banking Act which assumes major principles of the Basel Accord of at least 8%.

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Notes to the Consolidated Condensed Interim Financial Information

26 Management of Capital (Continued)

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the CBRF statutory capital ratio has to be maintained above minimum level of 10%. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Management believes the Bank meets all the requirements in relation to the minimum amount of regulatory capital set by the CBRF.

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Net assets under Russian GAAP | 82 688 599 | 69 810 481 |
| Less: intangible assets and equity investments | (1 635 618) | (1 625 635) |
| Plus: subordinated debt | 593 693 | 917 256 |
| Plus: other | 9 559 045 | 14 802 558 |
| Total regulatory capital | 91 205 719 | 83 904 660 |

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements including capital adequacy levels calculated in accordance with the requirements of the Basel Accord as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005) commonly known as Basel II.

The composition of the Group's capital calculated in accordance with the Austrian Banking Act which assumes major principles and requirements of Basel Accord is as follows:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Tier 1 capital | | |
| 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 | 67 607 153 | 62 071 234 |
| Less: equity instruments | - | (1 007 304) |
| Less: deferred tax | (624 043) | (1 188 700) |
| Total tier 1 capital before deductions | 112 363 097 | 105 255 217 |
| Less: intangible assets | (12 115 336) | (12 077 646) |
| Total tier 1 capital | 100 247 761 | 93 177 571 |
| Tier 2 capital | | |
| Revaluation reserve for equity instruments | - | 453 287 |
| Less: insurance holding companies | (173 709) | (173 709) |
| Less: deduction items from additional own funds plus LLP surplus | 1 880 050 | 1 857 072 |
| Total tier 2 capital | 1 706 341 | 2 136 650 |
| Total capital | 101 954 102 | 95 314 221 |

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26 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Tier 1 capital | | |
| 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 | 67 607 153 | 62 071 234 |
| Less: equity instruments | - | (1 007 304) |
| Total tier 1 capital before deductions | 112 987 140 | 106 443 917 |
| Less: goodwill | (10 700 290) | (10 700 290) |
| Total tier 1 capital | 102 286 850 | 95 743 627 |
| Tier 2 capital | | |
| Revaluation reserve for equity instruments | - | 453 287 |
| Less: insurance holding companies | (173 709) | (173 709) |
| Less: deduction items from additional own funds plus LLP surplus | 1 880 050 | 1 857 072 |
| Total tier 2 capital | 1 706 341 | 2 136 650 |
| Total capital | 103 993 191 | 97 880 277 |

The Group and the Bank have complied with all externally imposed capital requirements throughout 2013 and 2012.

Risk weighted assets

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Total Risk weighted assets | 540 287 338 | 507 337 808 |
| Capital Adequacy Ratio by Austrian Banking Act | 18.87% | 18.79% |
| Capital Adequacy Ratio by Basel II | 19.25% | 19.29% |

The Bank manages capital ratios using different capital amounts calculated in accordance with the above mentioned Capital Adequacy regulations.

27 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 this consolidated condensed interim financial information.

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 non-compliant 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 2012 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:

| <i>In thousands of Russian Roubles</i> | 31 March 2012 (Unaudited) | 31 December 2012 |
|--|------------------------------|---------------------|
| Not later than 1 year | 750 867 | 706 102 |
| Later than 1 year and not later than 5 years | 3 141 | 5 738 |
| Total operating lease commitments | 754 008 | 711 840 |

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 2013.

27 Contingencies and Commitments (Continued)

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.

Outstanding credit related commitments are as follows:

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Undrawn credit lines and Overdraft facilities (revocable) | 72 390 012 | 71 049 050 |
| Guarantees issued (irrevocable) | 58 091 183 | 55 381 850 |
| Undrawn commitments to issue documentary instruments (revocable) | 32 778 174 | 27 993 382 |
| Undrawn commitments to issue documentary instruments (irrevocable) | 24 664 307 | 22 894 896 |
| Undrawn credit lines and Overdraft facilities (irrevocable) | 24 649 463 | 19 997 442 |
| Import letters of credit (irrevocable) | 13 957 148 | 14 936 003 |
| Export letters of credit (irrevocable) | 864 598 | 1 863 162 |
| Credit related commitments before provision | 227 394 885 | 214 115 785 |
| Less: Provision for credit related commitments | (553 310) | (606 379) |
| Total credit related commitments | 226 841 575 | 213 509 406 |

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 104 517 thousand at 31 March 2013 (31 December 2012: RR 93 514 thousand).

| <i>In thousands of Russian Roubles</i> | 31 March 2013 (Unaudited) | 31 December 2012 |
|--|--------------------------------------|-----------------------------|
| Russian Roubles | 153 637 737 | 152 737 893 |
| US Dollars | 57 320 255 | 44 157 379 |
| Euro | 14 964 523 | 14 412 902 |
| Other | 1 472 370 | 2 807 611 |
| Total credit related commitments before provision | 227 394 885 | 214 115 785 |

27 Contingencies and Commitments (Continued)

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

| | Note | 31 March 2013 (Unaudited) | | 31 December 2012 | |
|---|-------|------------------------------|-------------------|-------------------|-------------------|
| | | Asset pledged | Related liability | Asset pledged | Related liability |
| <i>In thousands of Russian Roubles</i> | | | | | |
| Repurchase receivables related to trading securities | 8, 14 | 1 815 816 | 1 548 325 | 7 248 713 | 6 967 812 |
| Repurchase Receivables related to other securities at Fair Value Through Profit or Loss | 9, 14 | 9 546 885 | 8 509 920 | 9 040 698 | 8 360 013 |
| Total | | 11 362 701 | 10 058 245 | 16 289 411 | 15 327 825 |

As at 31 March 2013 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 9 148 865 thousand (31 December 2012: RR 15 199 312 thousand). As at 31 March 2013 the fair value of such securities repledged under direct sale and repurchase agreements with other banks amounted to RR 4 351 705 thousand (31 December 2012: RR 5 849 877 thousand). Refer to Note 14.

Mandatory cash balances with the Bank of Russia in the amount of RR 5 882 528 thousand (31 December 2012: RR 5 773 792 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

As at 31 March 2013 restricted cash represents monetary funds in the amount of RR 14 315 thousand which collateralise settlements on irrevocable letters of credit (31 December 2012: RR 10 049 thousand).

As at 31 March 2013 restricted cash represents monetary funds in the amount of RR 1 960 184 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2012: RR 1 960 487 thousand).

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28 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 2013 the outstanding balances with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associate | Members of the Managing Board | Other related parties |
|--|-------------|---------------------------------------|-----------|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.00%– 8.25% p.a.) | 50 832 224 | 19 981 453 | - | - | - |
| Due from other banks (contractual interest rate: 0.00% – 0.0% p.a.) | 13 055 | - | - | - | - |
| Gross amount of loans and advances to customers (contractual interest rate: 2.61% – 15.49% p.a.) | - | - | 2 969 307 | 134 300 | - |
| Purchased intangible assets less accumulated depreciation | 284 100 | - | - | - | - |
| Derivatives and other financial assets | 4 006 475 | 1 058 | - | - | - |
| Investments in associate | - | - | 2 091 713 | - | - |
| Due to other banks (contractual interest rate: 0.00% – 9.88% p.a.) | 60 590 | 4 229 040 | - | - | - |
| Customer accounts (contractual interest rate: 0.00% – 1.27% p.a.) | - | - | 867 950 | - | - |
| Term borrowings from the Parent Bank (contractual interest rate: 0.11% – 3.18% p.a.) | 42 221 840 | - | - | - | - |
| Term borrowings from other financial institutions (contractual interest rate: 2.03% p.a.) | - | - | - | - | 2 126 304 |
| Other liabilities | 220 | - | - | 310 966 | - |
| Derivatives and other financial liabilities | 4 788 179 | 2 176 | - | - | - |

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29 Related Party Transactions (Continued)

The income and expense items with related parties for the Three-Month period ended 31 March 2013 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associate | Members of the Managing Board | Other related parties |
|---|-------------|---------------------------------|-----------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 33 486 | 9 649 | 78 483 | 2 508 | - |
| Interest expense | (253 230) | (33 655) | (11 525) | - | (11 584) |
| Fee and commission income | 58 930 | 2 225 | 424 | - | - |
| Fee and commission expense | (12 156) | - | - | - | - |
| Gains less losses/ (losses less gains) from trading in foreign currencies | (2 521) | (33) | - | - | - |
| Realized gains less losses/(losses net of gains) from financial derivatives | 305 294 | 11 677 | - | - | - |
| Unrealized gains less losses/(losses net of gains) from financial derivatives | (1 479 131) | 4 052 | - | - | - |
| Ineffectiveness from the hedge accounting | (45 669) | - | - | - | - |
| Administrative and other operating expenses | (87 225) | (3 643) | - | (94 554) | - |
| Other operating income | - | - | 884 | - | - |
| Share of profit of associate | - | - | 106 556 | - | - |

At 31 March 2013 other rights and obligations with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associate | Other related parties |
|--|-------------|---------------------------------|-----------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Guarantees issued by the Group at the period end | 175 123 | 537 544 | - | - |
| Guarantees received by the Group at the period end | 225 753 | 813 464 | - | 103 300 |
| Letters of credit issued by the Group at the period end | - | - | 137 019 | - |
| Undrawn credit lines and overdraft facilities | 650 000 | 400 000 | 4 314 086 | 450 000 |
| Interest rate swap agreements – notional amount as at the period end | 169 845 551 | - | - | - |
| Interest rate swap agreements – fair values as at the period end | (1 276 458) | - | - | - |
| Cross currency interest rate swap agreements – notional amount receivable as at the period end | 71 793 053 | - | - | - |
| Cross currency interest rate swap agreements – notional amount payable as at the period end | 71 465 242 | - | - | - |
| Cross currency interest rate swap agreements – fair values at the period end | 1 610 901 | - | - | - |
| Foreign currency derivative financial instruments – principal amount purchased | 62 737 850 | 2 562 060 | - | - |
| Foreign currency derivative financial instruments – principal amount sold | 62 195 546 | 2 565 123 | - | - |
| Foreign currency derivative financial instruments – fair value | (68 369) | (1 821) | - | - |

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29 Related Party Transactions (Continued)

At 31 December 2012 the outstanding balances with related parties were as follows:

| <i>In thousands of Russian Roubles</i> | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|--|------------------------|--|-------------------|--|--------------------------------------|
| Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.21 % - 6.25 % p.a.) | 28 067 050 | 96 981 | - | - | - |
| Placements with other banks with original maturities of less than three months (contractual interest rate: 0.03 % - 0.45 % p.a.) | 33 745 524 | - | - | - | - |
| Due from other banks (contractual interest rate: 0.30 % – 8.15 % p.a.) | 6 090 575 | 396 764 | - | - | - |
| Gross amount of loans and advances to customers (contractual interest rate: 2.61% – 15.49 % p.a.) | - | - | 5 098 024 | 135 289 | - |
| Purchased intangible assets less accumulated depreciation | 213 091 | - | - | - | - |
| Derivatives and other financial assets | 4 618 122 | 3 643 | - | - | - |
| Investments in associates | - | - | 1 985 157 | - | - |
| Due to other banks (contractual interest rate: 2.06 % – 4.06% p.a.) | 1 134 089 | 3 413 307 | - | - | 2 570 |
| Customer accounts (contractual interest rate: 0.01 % – 6.14% p.a.) | - | - | 4 340 031 | - | - |
| Term borrowings from the Parent Bank (contractual interest rate: 0.07 % – 3.26% p.a.) | 40 806 863 | - | - | - | - |
| Term borrowings from other financial institutions (contractual interest rate: 9.88% p.a.) | - | - | - | - | 1 969 561 |
| Other liabilities | 516 139 | - | - | 252 156 | - |
| Derivatives and other financial liabilities | 2 844 039 | 11 785 | - | - | - |

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2928 Related Party Transactions (Continued)

The income and expense items with related parties for the Three-Month period ended 31 March 2012 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associate | Members of the Managing Board | Other related parties |
|--|-------------|---------------------------------|-----------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| 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/(losses, net of gains) from trading in foreign currencies | 70 713 | (18 460) | 524 | - | - |
| Realized gains less losses 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 hedgeaccounting | (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 December 2012 other rights and obligations with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates |
|--|-------------|---------------------------------|------------|
| <i>In thousands of Russian Roubles</i> | | | |
| Guarantees issued by the Group at the year end | 225 820 | 353 248 | 2 442 |
| Guarantees received by the Group at the year end | 286 449 | 566 804 | - |
| Letters of credit issued by the Group at the year end | - | - | 4 625 |
| Undrawn credit lines | 792 015 | 400 000 | 496 827 |
| Interest rate swap agreements – notional amount as at the year end | 109 917 366 | - | - |
| Interest rate swap agreements - fair values as at the year end | (1 405 931) | - | - |
| Cross currency interest rate swap agreements - notional amount receivable as at the year end | 55 384 133 | - | - |
| Cross currency interest rate swap agreements – notional amount payable as at the year end | 53 863 066 | - | - |
| Cross currency interest rate swap agreements - fair values as at the year end | 2 762 780 | - | - |
| Foreign currency derivative financial instruments – principal amount purchased | 23 344 268 | 2 278 388 | - |
| Foreign currency derivative financial instruments – principal amount sold | 22 776 508 | 2 286 856 | - |
| Foreign currency derivative financial instruments –fair value | 417 225 | (8 142) | - |

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29 Related Party Transactions (Continued)

The Bank's immediate parent is Raiffeisen CIS Region Holding GmbH (2012: Raiffeisen Bank International AG). The Bank is ultimately controlled by Raiffeisen Zentralbank Osterreich AG (2012: Raiffeisen Zentralbank Osterreich AG).

Key management compensation is presented below:

| | 31 March 2013 Expense | 31 March 2013 Accrued liability | 31 March 2012 Expense | 31 December 2012 Accrued liability |
|---|----------------------------------|--|--------------------------------------|---|
| <i>In thousands of Russian Roubles</i> | | | | |
| Short-term benefits: | | | | |
| - Salaries | 32 156 | - | 31 479 | - |
| - Short-term bonuses | 62 398 | 308 458 | 44 921 | 246 060 |
| Share-based compensation: | | | | |
| - Cash-settled share-based compensation | - | 2 508 | 614 | 6 096 |
| Total | 94 554 | 310 966 | 77 014 | 252 156 |

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