

ZAO Raiffeisenbank

**International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Report on Review of Consolidated Condensed Interim
Financial Information
30 September 2012**

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REPORT ON REVIEW OF 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 30 September 2012 and the related consolidated condensed interim statement of comprehensive income for the three and nine months then ended, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows for the nine months 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

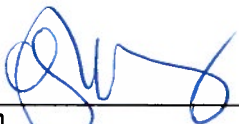
- 3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit
31 October 2012
Moscow, Russian Federation

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

<i>In thousands of Russian Roubles</i>	Note	30 September 2012 (Unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents	7	156 334 542	139 519 817
Mandatory cash balances with the Central Bank of the Russian Federation		5 926 041	5 921 349
Trading securities and Repurchase receivables related to Trading Securities	8	14 234 812	53 934 271
Other securities at fair value through profit or loss and Repurchase receivables related to Other securities at fair value through profit or loss	9	35 058 166	4 976 131
Due from other banks	10	30 432 214	3 998 688
Loans and advances to customers	11	341 857 552	354 743 067
Investment securities available for sale	12	908 328	5 810 675
Premises and equipment		12 187 601	9 152 808
Intangible assets		11 715 901	11 862 200
Deferred income tax asset		1 996 134	2 749 879
Investment securities held to maturity	13	498 908	509 681
Derivatives and other financial assets	14	10 120 635	8 885 709
Investment in associate		1 743 886	1 349 943
Other assets		1 836 967	1 672 208
TOTAL ASSETS		624 851 687	605 086 426
LIABILITIES			
Due to other banks	15	39 306 017	29 935 428
Customer accounts	16	409 150 038	399 461 342
Term borrowings from the Parent Bank	17	39 658 772	46 987 518
Term borrowings from other financial institutions	18	8 362 458	3 859 816
Debt securities in issue		12 798 588	11 828 102
Current income tax liability		758 532	1 659 635
Derivatives and other financial liabilities	19	6 908 424	10 857 907
Other liabilities		4 039 471	4 732 938
TOTAL LIABILITIES		520 982 300	509 322 686
EQUITY			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		58 489 400	50 383 753
TOTAL EQUITY		103 869 387	95 763 740
TOTAL LIABILITIES AND EQUITY		624 851 687	605 086 426

Approved for issue and signed on behalf of the Managing Board on 31 October 2012.


 Sergei Monin
 Chairman of the Board




 Arndt Roechling
 Chief Financial Officer

The notes set out on pages 5 to 50 form an integral part of this consolidated condensed interim financial information.

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Comprehensive Income

	Note	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
<i>In thousands of Russian Roubles</i>					
Interest income	20	30 598 667	10 473 530	27 455 817	9 990 370
Interest expense	20	(12 211 397)	(3 993 544)	(9 020 853)	(3 408 949)
Net interest income		18 387 270	6 479 986	18 434 964	6 581 421
(Charge)/release of provision for loan impairment	11	(636 319)	(366 415)	(130 805)	158 195
Net interest income after provision for loan impairment		17 750 951	6 113 571	18 304 159	6 739 616
Fee and commission income	21	8 734 707	3 117 335	7 294 965	2 652 990
Fee and commission expense	21	(2 099 414)	(694 845)	(1 601 979)	(600 382)
(Losses, net of gains)/gains less losses from trading securities		(175 852)	43 418	(1 704 396)	(1 650 159)
Gains, net of losses/(losses, net of gains) from other securities at fair value through profit or loss		138 090	158 268	56 521	(43 269)
Gains less losses from trading in foreign currencies		2 759 315	1 194 098	2 271 392	630 110
Unrealized gains less losses/(losses, net of gains) from derivative financial instruments	22	2 650 284	3 709 833	(284 210)	1 333 721
Realized gains less losses from derivative financial instruments	23	4 646 211	1 543 387	1 213 398	456 829
Foreign exchange translation (losses, net of gains)/ gains less losses		(2 204 671)	(4 629 371)	580 159	(1 082 812)
Ineffectiveness from the hedge accounting and other derivative instruments		(164 250)	(62 246)	(118 981)	(163 018)
Release/(charge) of provision for credit related commitments		323 187	24 059	(341 432)	(303 330)
Release/(charge) of provision for investment securities held to maturity		194	218	(5 263)	233
Gains from the sale of loans	11	84 812	15 949	181 751	178 788
Other operating income		477 294	311 246	326 592	212 876
Gains less losses from disposals of investment securities available for sale		2 887	-	-	-
Share of profit of associate		393 943	138 280	105 237	51 798
Operating income		33 317 688	10 983 200	26 277 913	8 413 991
Administrative and other operating expenses	24	(14 688 547)	(5 026 032)	(14 202 005)	(5 005 185)
Profit before tax		18 629 141	5 957 168	12 075 908	3 408 806
Income tax expense		(4 236 840)	(1 322 280)	(3 043 757)	(1 128 391)
Profit for the period		14 392 301	4 634 888	9 032 151	2 280 415
Revaluation of investment securities available for sale		278 444	20 648	(307 987)	(131 075)
Redemption of investment securities available for sale		(2 887)	-	-	-
Valuation reserve due to cash flow hedge		165 044	61 947	265 044	17 929
Income tax (expense)/credit		(88 120)	(16 519)	8 589	22 630
Other comprehensive income/(loss) for the period, net of tax		352 481	66 076	(34 354)	(90 516)
Total comprehensive income for the period, net of tax		14 744 782	4 700 964	8 997 797	2 189 899

The notes set out on pages 5 to 50 form an integral part of this consolidated condensed interim financial information.

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 2011	43 268 888	591 083	1 520 016	40 348 137	180 194	85 908 318
Profit for the period	-	-	-	9 032 151	-	9 032 151
Other comprehensive loss recognized for the period	-	-	-	-	(34 354)	(34 354)
Total comprehensive income/(loss) for the period	-	-	-	9 032 151	(34 354)	8 997 797
Dividends declared	-	-	-	(4 307 517)	-	(4 307 517)
Balance at 30 September 2011	43 268 888	591 083	1 520 016	45 072 771	145 840	90 598 598
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	-	-	-	14 392 301	-	14 392 301
Other comprehensive income recognized for the period	-	-	-	-	352 481	352 481
Total comprehensive income for the period	-	-	-	14 392 301	352 481	14 744 782
Dividends declared	-	-	-	(6 639 135)	-	(6 639 135)
Balance at 30 September 2012	43 268 888	591 083	1 520 016	57 649 234	840 166	103 869 387

ZAO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	Note	Nine-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)
Net cash from operating activities		24 222 914	77 669 803
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(4 666 776)	(1 298 944)
Proceeds from disposal of investment securities available for sale		5 002 805	-
Investment in associates		-	(60 000)
Net cash from/(used in) investing activities		336 029	(1 358 944)
Cash flows from financing activities			
Proceeds from term borrowings from the Parent Bank and other financial institutions		5 655 689	-
Repayment of term borrowings from the Parent Bank and other financial institutions		(3 579 544)	(29 094 929)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(1 218 014)	(833 714)
Net Increase in debt securities in issue		833 003	-
Interest paid on debt securities		(354 287)	-
Dividends paid		(6 639 135)	(4 307 517)
Net cash used in financing activities		(5 302 288)	(34 236 160)
Change in accrued interest on cash and cash equivalents		23 871	(9 427)
Effect of exchange rate changes on cash and cash equivalents		(2 465 799)	1 025 548
Net increase in cash and cash equivalents		16 814 725	43 090 820
Cash and cash equivalents at the beginning of the period		139 519 817	84 278 857
Cash and cash equivalents at the end of the period	7	156 334 542	127 369 677

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months period ended 30 September 2012 for ZAO Raiffeisenbank (hereinafter – the “Bank”) and its subsidiaries (together referred to as the “Group”).

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

Principal activity. The Bank has operated under a full banking license issued by the Central Bank 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 30 September 2012 the Group had 12 branches within the Russian Federation and 179 outlets (31 December 2011: 17 branches and 172 outlets).

The number of the Group’s employees as at 30 September 2012 was 7 869 (31 December 2011: 8 350).

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

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

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. Refer to Note 28.

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 2011.

3 Summary of Significant Accounting Policies (Continued)

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

At 30 September 2012 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.9169 (31 December 2011: USD 1 = RR 32.1961) and EUR 1 = 39.9786 (31 December 2011: EUR 1 = 41.6714).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2011. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2011, became effective for the Group from 1 January 2012. They have not significantly affected this consolidated condensed interim financial information of the Group. Refer to Note 5.

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

Changes in presentation. During nine-month period ended 30 September 2012 the management has performed a detailed review of Bank's accounting policy in respect of translation effect of foreign currency to presentation currency for individually impaired loans and provision for impairment of these loans. The review has resulted in a correction in Interest income, Provision for loan impairment and Foreign exchange translation losses, net of gains. The reclassification in amount of RR 157 735 thousand was done from "Foreign exchange translation losses, net of gains" to "Interest income" for the nine-month period ended 30 September 2011 and RR 304 902 thousand for the three-month period ended 30 September 2011 and in amount of RR 173 219 thousand from "Provision for loan impairment" to "Foreign exchange translation losses, net of gains" for the nine-month period ended 30 September 2011 and RR 665 930 thousand for the three month period ended 30 September 2011.

Gains from the disposal of loans in the amount of RR 888 683 thousand is reclassified to Provision for loan impairment for nine-month period ended 30 September 2011.

Representation of segment analysis. During the nine-month period ended 30 September 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:

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

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the 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.

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 571 660 thousand (2011: RR 826 325 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 283 960 thousand (2011: RR 419 640 thousand), respectively.

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

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

- (i) SPE activities are being conducted on behalf of the Bank as it was set up to satisfy specific business needs of the Group (issue of asset-backed securities);
- (ii) Rewards taken by SPE are transferred to the Bank in the form of dividends on a preference share held by the Bank; and
- (iii) Risks including credit risk are assumed by the Bank through the purchase of Subordinated notes.

Non-consolidation of the special purpose entities would decrease the Group's total assets by RR 107 915 thousand as at 30 September 2012 (31 December 2011: RR 1 405 649 thousand). The impact on the consolidated profit after tax would be an increase by RR 214 251 thousand for nine-month period ended 30 September 2012 (for nine-month period ended 30 September 2011: a decrease by RR 201 936 thousand).

5 Adoption of New or Revised Standards and Interpretations

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

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

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

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

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

6 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2012 or later and which the Group has not early adopted:

6 New Accounting Pronouncements (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 financial statements. The Group is currently assessing the impact of the amendments on its financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 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. The Group is currently assessing the impact of the amendments on its consolidated condensed interim financial information.

7 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Cash on hand	20 917 835	23 618 675
Cash balances with the CBRF (other than mandatory reserve deposits)	9 934 967	11 626 558
Correspondent accounts and overnight placements with other banks		
- Russian Federation	2 854 181	2 844 363
- Other countries	108 287 523	45 304 156
Placements with other banks with original maturities of less than three months	2 300 816	52 302 986
Reverse securities sale and repurchase agreements with other banks with original maturities of less than three months	12 039 220	3 823 079
Total cash and cash equivalents	156 334 542	139 519 817

At 30 September 2012 cash equivalents in the amount of RR 12 039 220 thousand (31 December 2011: RR 3 823 079 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 13 608 080 thousand (31 December 2011: RR 4 486 841 thousand) which the Group has a right to sell or repledge.

7 Cash and Cash Equivalents (Continued)

At 30 September 2012 included within correspondent accounts and overnight placements with other banks is a cash reserve facility placed under the terms of an asset backed securities program in the amount of RR nil thousand (31 December 2011: RR 936 442 thousand).

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

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

8 Trading Securities and Repurchase Receivables related to Trading Securities

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Corporate bonds	9 586 035	40 340 217
Federal loan bonds (OFZ)	3 728 802	4 099 311
Corporate Eurobonds	915 226	5 320 126
Municipal bonds	-	2 610 968
Bonds of the European Bank for Reconstruction and Development (EBRD)	-	1 558 713
Total debt trading securities and repurchase receivables	14 230 063	53 929 335
Corporate shares	4 749	4 936
Total trading securities and repurchase receivables related to trading securities	14 234 812	53 934 271

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

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

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

At 30 September 2012 and 31 December 2011 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

As at 30 September 2012 and 31 December 2011 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 October 2012. At 30 September 2012 Federal loan bonds (OFZ) included securities with fair value of RR 3 358 083 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Corporate bonds included securities with fair value of RR 5 281 527 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Refer to Notes 15 and 28.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 26.

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

	30 September 2012 (Unaudited)	31 December 2011
<i>In thousands of Russian Roubles</i>		
Corporate bonds	24 081 859	3 561 146
Federal loan bonds (OFZ)	3 925 532	529 428
Corporate Eurobonds	3 359 613	8 416
Bonds of the European Bank for Reconstruction and Development (EBRD)	1 568 454	-
Municipal bonds	1 393 916	489 159
Russian Federation Eurobonds	402 488	-
Total other debt securities at fair value through profit and loss	34 731 862	4 588 149
Corporate shares	326 304	387 982
Total other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	35 058 166	4 976 131

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

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

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 October 2012. At 30 September 2012 Federal loan bonds (OFZ) included securities with fair value of RR 1 763 308 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Corporate bonds included securities with fair value of RR 4 554 803 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Corporate eurobonds included securities with fair value of RR 1 406 726 thousand pledged under sale and repurchase agreements with CBRF (31 December 2011: no securities were pledged under sale and repurchase agreements). Refer to Notes 15 and 28.

Currency, geographical and liquidity analysis of other securities at fair value through profit or loss are disclosed in Note 26.

10 Due from Other Banks

	30 September 2012 (Unaudited)	31 December 2011
<i>In thousands of Russian Roubles</i>		
Short-term placements with other banks with original maturities of more than three months and less than one year	26 520 267	2 245 844
Long-term placements with other banks with original maturities of more than one year	3 911 947	1 752 844
Total due from other banks	30 432 214	3 998 688

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10 Due from Other Banks (Continued)

As at 30 September 2012 and 31 December 2011 due from other banks are neither past due nor impaired.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

11 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Loans to corporate customers (Corporate loans)	234 286 543	265 241 359
Loans to individuals (Retail loans)	118 227 225	103 866 193
Loans to small and medium entities (SME loans)	10 766 824	7 984 490
Loans to state and municipal organisations (Public sector)	55 574	295 480
Total gross loans and advances to customers	363 336 166	377 387 522
Less: Provision for loan impairment	(21 478 614)	(22 644 455)
Total loans and advances to customers	341 857 552	354 743 067

Movements in the provision for loan impairment during nine-month period ended 30 September 2012 are as follows:

	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	(135 607)	650 048	121 878	636 319
Release of provisions on disposed loans	(50 262)	(71 586)	(42 092)	(163 940)
Amounts written off during the period as uncollectible	(443 052)	(907 138)	(135 058)	(1 485 248)
Exchange differences on provision for loan impairment	(83 048)	(69 752)	(172)	(152 972)
Provision for loan impairment at 30 September 2012 (Unaudited)	13 156 459	7 440 104	882 051	21 478 614

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11 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during three-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Retail loans	SME loans	Total
Provision for loan impairment at 1 July 2012	13 202 280	8 246 573	867 816	22 316 669
Charge of provision for impairment during the period	128 948	184 627	52 840	366 415
Release of provisions on disposed loans	(4 502)	(7 062)	(3 788)	(15 352)
Amounts written off during the period as uncollectible	-	(893 576)	(34 576)	(928 152)
Exchange differences on provision for loan impairment	(170 267)	(90 458)	(241)	(260 966)
Provision for loan impairment at 30 September 2012 (Unaudited)	13 156 459	7 440 104	882 051	21 478 614

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

<i>In thousands of Russian Roubles</i>	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 January 2011	18 421 049	7 326 085	1 107 922	34 956	26 890 012
(Release)/ charge of provision for impairment during the period	(269 829)	398 009	(17 442)	20 067	130 805
Release of provisions on disposed loans	(766 703)	(75 390)	(22 155)	-	(864 248)
Amounts written off during the period as uncollectible	(148 247)	(2 027)	(149 923)	-	(300 197)
Exchange differences on provision for loan impairment	80 763	92 403	53	-	173 219
Provision for loan impairment at 30 September 2011 (Unaudited)	17 317 033	7 739 080	918 455	55 023	26 029 591

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

<i>In thousands of Russian Roubles</i>	Corporate loans	Retail loans	SME loans	Public sector	Total
Provision for loan impairment at 1 July 2011	17 148 340	7 412 027	1 062 421	47 159	25 669 947
(Release)/ charge of provision for impairment during the period	(261 302)	92 204	3 039	7 864	(158 195)
(Release)/ charge of provisions on disposed loans	119 812	858	(17 828)	-	102 842
Amounts written off during the period as uncollectible	(121 698)	-	(129 235)	-	(250 933)
Exchange differences on provision for loan impairment	431 881	233 991	58	-	665 930
Provision for loan impairment at 30 September 2011 (Unaudited)	17 317 033	7 739 080	918 455	55 023	26 029 591

11 Loans and Advances to Customers (Continued)

During the nine-month period ended 30 September 2012 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 1 956 975 thousand (nine-month period ended 30 September 2011: RR 4 454 016 thousand) with cash proceeds of RR 1 500 100 thousand (nine-month period ended 30 September 2011: RR 3 705 889) and other assets with carrying value of RR 377 747 thousand (nine-month period ended 30 September 2011: RR 65 630). As of the date of disposal during the nine-month period ended 30 September 2012 these loans were provided for impairment in the total amount of RR 163 940 thousand (nine-month period ended 30 September 2011: RR 864 248 thousand). The net financial result of a loan disposal during the nine-month period ended 30 September 2012 recognized in the consolidated condensed interim statement of comprehensive income was a gain of RR 84 812 thousand (nine-month period ended 30 September 2011: RR 181 751 thousand).

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

<i>In thousands of Russian Roubles</i>	30 September 2012		31 December 2011	
	(Unaudited)			
	Amount	%	Amount	%
Individuals	118 227 225	32.53%	103 866 193	27.52%
Real estate	75 684 020	20.83%	78 997 995	20.93%
Trade	37 278 873	10.26%	41 166 387	10.91%
Mining	30 751 512	8.46%	28 571 173	7.57%
Metallurgy and metal production	24 809 109	6.83%	33 660 525	8.92%
Transport, storage and communication	22 446 171	6.18%	24 670 796	6.54%
Oil and gas products	9 305 595	2.56%	11 264 898	2.98%
Electricity, gas and water supply	5 657 636	1.56%	4 871 521	1.29%
Chemicals & fertilizers	5 525 075	1.52%	13 707 412	3.63%
Financial services	5 411 030	1.49%	6 342 207	1.68%
Food, beverages, alcohol & tobacco	5 214 360	1.44%	5 177 472	1.37%
Machinery, equipment, electrics and electronics	4 718 013	1.30%	5 587 209	1.48%
Hotels and restaurants	4 437 977	1.22%	5 179 741	1.37%
Nonmetal mineral products	4 114 178	1.13%	3 143 611	0.83%
Manufacturing	2 882 742	0.79%	3 903 879	1.03%
Rubber and plastic products	2 624 675	0.72%	3 180 637	0.84%
Agriculture, hunting and forestry	1 771 954	0.49%	1 842 733	0.49%
Other	2 476 021	0.69%	2 253 133	0.60%
Total loans and advances to customers (before impairment provision)	363 336 166	100.00%	377 387 522	100.00%

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11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 30 September 2012 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Retail loans	SME loans	Public sector	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Excellent credit standing	14 610 721	-	387	115	14 611 223
Very good credit standing	61 019 667	53 379 165	1 576	-	114 400 408
Good credit standing	43 382 791	53 072 926	1 679 049	-	98 134 766
Average credit standing	59 146 091	-	16 586	31 061	59 193 738
Mediocre credit standing	23 545 966	-	3 086 546	19 801	26 652 313
Weak credit standing	12 723 324	-	4 359 318	4 597	17 087 239
Very weak credit standing	6 159 071	-	592 349	-	6 751 420
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	220 587 631	106 452 091	9 735 811	55 574	336 831 107
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	-	3 439 257	95 600	-	3 534 857
- 31 – 60 days overdue	40 466	505 724	10 931	-	557 121
- 61 – 90 days overdue	146	292 869	5 220	-	298 235
- 91 – 180 days overdue	-	7 042	9 498	-	16 540
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	40 612	4 244 892	121 249	-	4 406 753
<i>Loans individually determined to be impaired</i>					
- less than 30 days overdue	2 557 215	734 092	10 222	-	3 301 529
- 31 – 60 days overdue	-	55 708	2 558	-	58 266
- 61 – 90 days overdue	303 370	41 504	18	-	344 892
- 91 – 180 days overdue	23 684	485 293	77 350	-	586 327
- 181 – 364 days overdue	1 956 633	1 881 557	63 800	-	3 901 990
- over 365 days overdue	8 817 398	4 332 088	755 816	-	13 905 302
Total loans individually determined to be impaired (gross)	13 658 300	7 530 242	909 764	-	22 098 306
Total gross loans and advances to customers	234 286 543	118 227 225	10 766 824	55 574	363 336 166
Less: Provision for loan impairment	(13 156 459)	(7 440 104)	(882 051)	-	(21 478 614)
Total loans and advances to customers	221 130 084	110 787 121	9 884 773	55 574	341 857 552

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11 Loans and Advances to Customers (Continued)

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

<i>In thousands of Russian Roubles</i>	Corporate loans	Retail loans	SME loans	Public sector	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Excellent credit standing	16 838 824	-	20 375	-	16 859 199
Very good credit standing	46 835 850	49 088 122	180 236	-	96 104 208
Good credit standing	51 398 170	44 360 403	1 055 362	36 554	96 850 489
Average credit standing	70 781 572	-	421 112	135 891	71 338 575
Mediocre credit standing	28 665 295	-	3 415 337	114 736	32 195 368
Weak credit standing	33 471 571	-	1 569 193	8 299	35 049 063
Very weak credit standing	4 077 683	-	212 636	-	4 290 319
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	252 068 965	93 448 525	6 874 251	295 480	352 687 221
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	-	1 700 642	14 516	-	1 715 158
- 31 – 60 days overdue	-	379 981	7 670	-	387 651
- 61 – 90 days overdue	19 869	166 915	1 740	-	188 524
- 91 – 180 days overdue	-	215 961	291	-	216 252
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	19 869	2 463 499	24 217	-	2 507 585
<i>Loans individually determined to be impaired</i>					
- less than 30 days overdue	2 996 909	611 410	26 233	-	3 634 552
- 31 – 60 days overdue	991 097	36 111	2 567	-	1 029 775
- 61 – 90 days overdue	-	63 458	-	-	63 458
- 91 – 180 days overdue	934 799	145 652	9 944	-	1 090 395
- 181 – 364 days overdue	1 100 503	1 572 995	37 644	-	2 711 142
- over 365 days overdue	7 129 217	5 524 543	1 009 634	-	13 663 394
Total loans individually determined to be impaired (gross)	13 152 525	7 954 169	1 086 022	-	22 192 716
Total gross loans and advances to customers	265 241 359	103 866 193	7 984 490	295 480	377 387 522
Less: Provision for loan impairment	(13 868 428)	(7 838 532)	(937 495)	-	(22 644 455)
Total loans and advances to customers	251 372 931	96 027 661	7 046 995	295 480	354 743 067

Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

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12 Investment Securities Available for Sale

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Corporate shares	908 328	715 209
Corporate bonds	-	5 095 466
Total investment securities available for sale	908 328	5 810 675

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

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 26.

13 Investment Securities Held to Maturity

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Corporate bonds	507 903	518 870
Total gross investment securities held to maturity	507 903	518 870
Less: Provision for impairment	(8 995)	(9 189)
Total investment securities held to maturity	498 908	509 681

Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 26.

14 Derivatives and Other Financial Assets

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Fair value of currency rate based financial derivatives	7 326 305	5 647 199
Fair value of interest rate based financial derivatives	2 172 788	2 235 763
Plastic card receivables	583 285	911 655
Trade receivables	38 257	91 092
Total derivatives and other financial assets	10 120 635	8 885 709

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

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15 Due to Other Banks

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Sale and repurchase agreements with securities with CBRF	20 405 945	-
Short-term placements of other banks	11 280 992	6 676 041
Correspondent accounts and overnight placements of other banks	5 291 502	22 194 357
Long-term placements of other banks	2 327 578	1 065 030
Total due to other banks	39 306 017	29 935 428

At 30 September 2012 included within correspondent accounts and overnight placements of other banks is a cash facility placed by the Parent Bank under the terms of cash reserve facility agreement and in relation to asset backed securities program in the amount of RR nil thousand (31 December 2011: RR 1 009 947 thousand).

At 30 September 2012 included in due to banks are deposits of RR 58 393 thousand (31 December 2011: RR 303 821 thousand) held as collateral for irrevocable commitments under guarantees.

At 30 September 2012, included in amounts due to other banks are liabilities of RR 20 405 945 thousand (2011: none) from sale and repurchase agreements. Refer to Notes 8, 9 and 28. As at 30 September 2012 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 6 666 941 thousand (31 December 2011: Nil).

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

16 Customer Accounts

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
State and public organisations		
- Current/settlement accounts	770 898	612 423
- Term deposits	36 616	97 512
Legal entities		
- Current/settlement accounts	104 769 122	79 178 110
- Term deposits	79 629 509	107 189 995
Individuals		
- Current/demand accounts	90 647 524	87 209 756
- Term deposits	133 296 369	125 173 546
Total customer accounts	409 150 038	399 461 342

At 30 September 2012 the Group had two customer (31 December 2011: one customer) with a balance above 10% of consolidated equity of the Group as at this date. The balance of these customers was RR 37 352 841 thousand (31 December 2011: RR 10 359 595) or 9.13% (31 December 2011: 2.59%) of total customer accounts.

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16 Customer Accounts (Continued)

At 30 September 2012 included in customer accounts are deposits of RR 950 513 thousand (31 December 2011: RR 652 783 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 28.

At 30 September 2012 included in customer accounts are deposits of RR 2 205 492 thousand (31 December 2011: RR 1 838 011 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 28.

Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

17 Term Borrowings from the Parent Bank

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Loans from the Parent Bank maturing in 2012-2016	32 781 402	39 831 114
Subordinated loans from the Parent Bank maturing in 2013	6 877 370	7 156 404
Total term borrowings from the Parent Bank	39 658 772	46 987 518

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 0. The information on related party balances is disclosed in Note 29.

18 Term Borrowing from Other Financial Institutions

<i>In thousands of Russian Roubles</i>	Note	30 September 2012 (Unaudited)	31 December 2011
Loans secured by diversified payment rights		5 323 620	-
Loans from commercial banks maturing in 2013		2 003 322	2 081 751
Loans from development banks maturing in 2012-2015		1 035 516	1 531 644
Asset backed securities maturing in 2017	11	-	246 421
Total term borrowings from other financial institutions		8 362 458	3 859 816

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 2012 up to 2017 (2011: from 2012 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 28.

Currency, geographical and liquidity analysis of term borrowings from other financial institutions are disclosed in Note 26. The information on related party balances is disclosed in Note 29.

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19 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Fair value of interest rate based financial derivatives	3 533 226	4 294 065
Fair value of currency rate based financial derivatives	2 391 650	4 833 585
Provision for credit related commitments	602 690	1 098 816
Plastic cards payables	192 293	567 943
Trade payables	50 922	36 998
Settlements on conversion operations	2 570	16 559
Other	135 073	9 941
Total derivatives and other financial liabilities	6 908 424	10 857 907

Movement in the provisions for credit related commitments during nine-months period ended 30 September 2012 includes provision release of RR 323 187 thousand (during nine-months period ended 30 September 2011: allocation of RR 341 432 thousand) and utilization of provision in the amount of RR 172 941 thousand (during nine-months period ended 30 September 2011: nil).

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 26. Information on related party transactions is presented in Note 29.

20 Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
Interest income				
Loans and advances to customers	26 384 663	9 114 546	21 809 402	7 961 017
Trading securities	1 920 768	300 951	3 089 921	1 178 838
Due from other banks	1 242 067	446 821	1 246 749	437 679
Other securities at fair value through profit and loss	616 593	499 797	5 708	1 916
Interest income on impaired financial assets	250 490	97 566	250 885	57 792
Investment securities available for sale	142 694	-	1 012 263	339 345
Debt securities held to maturity	41 392	13 849	40 889	13 783
Total interest income	30 598 667	10 473 530	27 455 817	9 990 370
Interest expense				
Term deposits of individuals	4 038 503	1 401 929	3 226 058	1 144 367
Term deposits of legal entities	3 800 706	1 148 145	2 079 114	988 681
Current/settlement accounts	1 259 365	421 354	678 313	294 287
Term borrowings from the Parent Bank	1 011 092	330 415	1 489 819	438 805
Term placements of other banks	910 521	335 624	198 919	97 915
Debt securities in issue	767 123	276 079	1 303 218	435 485
Term borrowings from other financial institutions	408 853	76 980	34 059	5 037
Correspondent accounts of other banks	15 234	3 018	11 353	4 372
Total interest expense	12 211 397	3 993 544	9 020 853	3 408 949
Net interest income	18 387 270	6 479 986	18 434 964	6 581 421

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21 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
Fee and commission income				
Commissions on operations with plastic cards	3 480 685	1 223 617	2 526 246	951 372
Commissions on settlement transactions	968 810	364 452	821 602	281 132
Commissions on documentary business and guarantees	827 495	287 453	684 250	240 964
Commissions on cash operations	651 326	231 563	589 502	206 863
Credit facility fee	639 278	219 156	507 223	150 689
Insurance commission income	608 580	246 824	461 500	195 204
Fiduciary activities	322 533	118 094	265 806	80 890
Commissions on export operations	306 938	114 029	282 786	111 991
Early and late repayment fees	241 622	94 027	244 385	53 322
Commissions on transfer payments	154 213	55 153	251 326	98 540
Commissions from investment banking	163 671	41 783	262 824	115 044
Commissions on transactions with securities	85 802	28 775	95 900	24 648
Commission income on foreign exchange operations	21 646	756	44 139	15 542
Other	262 108	91 653	257 476	126 789
Total fee and commission income	8 734 707	3 117 335	7 294 965	2 652 990
Fee and commission expense				
Commissions on operations with plastic cards	1 283 935	458 446	791 422	308 542
Commissions on settlement transactions	400 924	102 462	344 875	112 430
Commissions on cash operations	201 582	69 845	162 397	64 309
Commissions on transactions with securities	81 254	23 915	43 919	16 455
Commissions on transfer payments	56 627	18 763	180 969	69 222
Commissions on documentary business	13 397	4 735	13 894	4 896
Credit facility fee	9 996	3 604	5 937	-
Other	51 699	13 075	58 566	24 528
Total fee and commission expense	2 099 414	694 845	1 601 979	600 382
Net fee and commission income	6 635 293	2 422 490	5 692 986	2 052 608

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

	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
<i>In thousands of Russian Roubles</i>				
Cross currency interest rate swaps	(450 224)	(953 786)	2 785 013	3 020 051
Interest rate swaps	(237 153)	(353 975)	86 195	230 359
Foreign exchange forwards	(219 364)	(230 783)	(787 160)	(142 717)
Foreign exchange options	(2 081)	(2 979)	2 538	5 099
Foreign exchange futures	(1)	(1)	(783)	(808)
Foreign exchange swaps	3 559 107	5 251 357	(2 370 013)	(1 778 263)
Total unrealized gains less losses/ (losses less gains) from derivative financial instruments	2 650 284	3 709 833	(284 210)	1 333 721

23 Realized Gains less Losses from Derivative Financial Instruments

	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
<i>In thousands of Russian Roubles</i>				
Foreign exchange swaps	5 069 720	1 658 114	1 459 223	747 519
Foreign exchange forwards	88 445	(70 040)	302 279	(24 639)
Foreign exchange options	78 362	(36 528)	44 418	21 725
Interest rate options	35	-	-	-
Interest rate swaps	(469 923)	(100 458)	(334 017)	(159 648)
Cross currency interest rate swaps	(120 426)	92 301	(261 894)	(131 716)
Foreign exchange futures	(2)	(2)	3 389	3 588
Total realized gains less losses from derivative financial instruments	4 646 211	1 543 387	1 213 398	456 829

24 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
Staff costs	7 710 486	2 629 358	7 032 736	2 336 305
Rent expenses	1 567 762	537 230	1 635 814	533 928
Depreciation of premises and equipment	1 050 296	358 346	1 108 330	383 972
IT services	807 042	350 909	757 128	277 689
Deposit insurance fee	618 422	211 138	501 383	176 239
Premises and equipment maintenance expenses	544 787	174 359	600 004	199 953
Amortisation of intangible assets	399 206	137 390	430 048	218 451
Advertising and marketing	396 916	194 104	454 446	189 468
Professional services	379 102	10 946	222 132	23 502
Communication expenses	337 241	74 536	367 847	138 037
Security expenses	180 565	47 679	240 801	80 914
Taxes other than on income	178 383	57 549	208 022	118 749
Other	518 339	242 488	643 314	327 978
Total administrative and other operating expenses	14 688 547	5 026 032	14 202 005	5 005 185

25 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.
- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal installment 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.

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Notes to the Consolidated Condensed Interim Financial Information

25 Segment Analysis (Continued)

(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>	30 September 2012 (Unaudited)	31 December 2011
Corporate business	249 441 331	269 417 631
Retail business	119 226 950	104 935 608
Proprietary business	240 867 289	213 404 401
Total business division assets	609 535 570	587 757 640
Corporate business	177 530 657	177 921 605
Retail business	215 414 632	206 355 874
Proprietary business	122 528 753	118 562 469
Total business division liabilities	515 474 042	502 839 948

Business divisions of the Group for the nine-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Interest result	7 935 701	10 780 452	2 543 452	21 259 605
Fee and commission result	3 560 400	4 714 202	118 141	8 392 743
Provision for loan impairment	728 676	(636 531)	8 749	100 894
Trading result	578 752	-	1 967 788	2 546 540
Valuation result from hedge accounting and other derivative instruments	-	-	(190 053)	(190 053)
Net income from investments	-	-	102 316	102 316
General administrative expenses	(4 155 378)	(8 927 075)	(1 030 358)	(14 112 811)
Other operating profit/loss	-	-	94 244	94 244
Total business division result before tax	8 648 151	5 931 048	3 614 279	18 193 478
Income taxes	-	-	-	(4 231 557)
Total business division result after tax	8 648 151	5 931 048	3 614 279	13 961 921

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25 Segment Analysis (Continued)

Business divisions of the Group for the three-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Interest result	2 582 477	3 876 793	588 401	7 047 671
Fee and commission result	1 323 311	1 645 576	379 142	3 348 029
Provision for loan impairment	31 503	(201 819)	(11 434)	(181 750)
Trading result	15 881	-	172 680	188 561
Valuation result from hedge accounting and other derivative instruments	-	-	(290 298)	(290 298)
Net income from investments	-	-	188 012	188 012
General administrative expenses	(1 384 385)	(3 118 509)	(332 181)	(4 835 075)
Other operating profit/loss	-	-	145 866	145 866
Total business division result before tax	2 568 787	2 202 041	840 188	5 611 016
Income taxes	-	-	-	(1 270 628)
Total business division result after tax	2 568 787	2 202 041	840 188	4 340 388

Business divisions of the Group for the nine-month period ended 30 September 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Interest result	6 872 959	7 648 514	2 914 896	17 436 369
Fee and commission result	3 315 366	3 695 629	34 743	7 045 738
Provision for loan impairment	81 445	(363 820)	(213)	(282 588)
Trading result	126 541	-	1 211 232	1 337 773
Valuation result from hedge accounting and other derivative instruments	-	-	151 202	151 202
Net income from investments	-	-	1 495	1 495
General administrative expenses	(3 912 581)	(8 666 517)	(846 868)	(13 425 966)
Other operating profit/loss	-	-	(216 968)	(216 968)
Total business division result before tax	6 483 730	2 313 806	3 249 519	12 047 055
Income taxes	-	-	-	(3 061 985)
Total business division result after tax	6 483 730	2 313 106	3 249 519	8 985 070

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25 Segment Analysis (Continued)

Business divisions of the Group for the three-month period ended 30 September 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Interest result	2 709 032	2 792 824	985 993	6 487 849
Fee and commission result	1 180 897	1 342 946	111 199	2 635 042
Provision for loan impairment	(211 476)	(76 735)	(7 041)	(295 252)
Trading result	68 685	-	(1 641 084)	(1 572 399)
Valuation result from hedge accounting and other derivative instruments	-	-	726 799	726 799
Net income from investments	-	-	6 598	6 598
General administrative expenses	(1 377 938)	(3 042 011)	(184 873)	(4 604 822)
Other operating profit/loss	-	-	(70 696)	(70 696)
Total business division result before tax	2 369 200	1 017 024	(73 105)	3 313 119
Income taxes	-	-	-	(1 086 489)
Total business division result after tax	2 369 200	1 017 024	(73 105)	2 226 630

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.

Major ratio calculations for the reportable segment of the Group for the nine-months period ended 30 September 2012 and the year ended 31 December 2011 are set out below:

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Capital expenditure	4 666 776	2 781 119
Cost/income ratio	43.68%	55.30%
Average equity	99 816 360	90 836 029
Return on equity before tax	24.88%	20.13%
Return on equity after tax	19.23%	15.25%

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

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Notes to the Consolidated Condensed Interim Financial Information

25 Segment Analysis (Continued)

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

Hubs of the Group for the nine-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Moscow	423 939 141	399 884 684
Centre	12 431 148	13 495 462
North-West	43 658 710	45 802 909
Siberia	46 473 461	37 871 797
South	20 501 801	16 621 363
Ural	33 829 447	38 085 051
Volga	28 701 862	35 996 374
Total hub assets	609 535 570	587 757 640
Moscow	416 509 974	388 600 021
Centre	7 749 473	7 886 604
North-West	49 036 789	53 086 986
Siberia	13 547 053	14 021 975
South	7 224 513	9 854 542
Ural	8 019 327	9 689 519
Volga	13 386 913	19 700 301
Total hub liabilities	515 474 042	502 839 948

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25 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	14 090 097	677 462	2 197 253	1 339 690	705 229	1 104 876	1 144 998	21 259 605
Net fee and commission result	5 349 574	299 280	1 115 813	466 121	332 273	342 006	487 676	8 392 743
Provision for loan impairment	851 421	(70 595)	(700 412)	(78 902)	(47 316)	(136 922)	283 620	100 894
Trading result	2 366 310	10 061	1 923	10 409	-	-	157 837	2 546 540
Valuation result from hedge accounting and other derivative instruments	(190 053)	-	-	-	-	-	-	(190 053)
Net income from investments	102 316	-	-	-	-	-	-	102 316
General administrative expenses	(7 473 640)	(711 009)	(1 717 548)	(1 404 469)	(840 442)	(811 915)	(1 153 788)	(14 112 811)
Other operating profit/loss	94 244	-	-	-	-	-	-	94 244
Total hub result before tax	15 190 269	205 199	897 029	332 849	149 744	498 045	920 343	18 193 478
Income taxes	-	-	-	-	-	-	-	(4 231 557)
Total hub result after tax	15 190 269	205 199	897 029	332 849	149 744	498 045	920 343	13 961 921

Hubs of the Group for the three-month period ended 30 September 2012 are as follows:

<i>In thousands of Russian Roubles</i>	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	4 613 085	229 699	738 921	484 377	257 075	363 972	360 542	7 047 671
Net fee and commission result	2 205 519	99 413	390 655	186 880	118 576	126 798	220 188	3 348 029
Provision for loan impairment	(339 770)	(27 438)	(60 968)	(35 890)	(24 575)	126 590	180 301	(181 750)
Trading result	139 294	10 061	-	(551)	-	-	39 757	188 561
Valuation result from hedge accounting and other derivative instruments	(290 298)	-	-	-	-	-	-	(290 298)
Net income from investments	188 012	-	-	-	-	-	-	188 012
General administrative expenses	(2 510 854)	(240 791)	(594 997)	(508 263)	(296 108)	(283 296)	(400 766)	(4 835 075)
Other operating profit/loss	145 866	-	-	-	-	-	-	145 866
Total hub result before tax	4 150 854	70 944	473 611	126 553	54 968	334 064	400 022	5 611 016
Income taxes	-	-	-	-	-	-	-	(1 270 628)
Total hub result after tax	4 150 854	70 944	473 611	126 553	54 968	334 064	400 022	4 340 388

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25 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	11 308 176	524 964	1 635 272	1 260 175	512 650	1 114 808	1 080 324	17 436 369
Net fee and commission result	4 420 434	268 984	904 201	487 036	264 878	309 901	390 304	7 045 738
Provision for loan impairment	(821 265)	39 471	(309 335)	346 559	(118 448)	206 704	373 726	(282 588)
Trading result	1 300 107	-	71	37 595	-	-	-	1 337 773
Valuation result from hedge accounting and other derivative instruments	151 202	-	-	-	-	-	-	151 202
Net income from investments	1 495	-	-	-	-	-	-	1 495
General administrative expenses	(7 150 252)	(686 199)	(1 650 095)	(1 361 936)	(767 673)	(754 695)	(1 055 116)	(13 425 966)
Other operating profit/loss	(216 968)	-	-	-	-	-	-	(216 968)
Total hub result before tax	8 992 929	147 220	580 114	769 429	(108 593)	876 718	789 238	12 047 055
Income taxes	-	-	-	-	-	-	-	(3 061 985)
Total hub result after tax	8 992 929	147 220	580 114	769 429	(108 593)	876 718	789 238	8 985 070

Hubs of the Group for the three-month period ended 30 September 2011 are as follows:

<i>In thousands of Russian Roubles</i>	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	4 275 954	196 689	578 766	422 904	196 805	392 005	424 726	6 487 849
Net fee and commission result	1 686 657	99 783	347 674	170 671	101 351	103 827	125 079	2 635 042
Provision for loan impairment	(231 948)	19 877	(164 483)	9 658	(67 411)	(128 582)	267 637	(295 252)
Trading result	(1 610 065)	-	71	37 595	-	-	-	(1 572 399)
Valuation result from hedge accounting and other derivative instruments	726 799	-	-	-	-	-	-	726 799
Net income from investments	6 598	-	-	-	-	-	-	6 598
General administrative expenses	(2 424 445)	(235 498)	(565 376)	(484 723)	(269 800)	(263 955)	(361 025)	(4 604 822)
Other operating profit/loss	(70 696)	-	-	-	-	-	-	(70 696)
Total hub result before tax	2 358 854	80 851	196 652	156 105	(39 055)	103 295	456 417	3 313 119
Income taxes	-	-	-	-	-	-	-	(1 086 489)
Total hub result after tax	2 358 854	80 851	196 652	156 105	(39 055)	103 295	456 417	2 226 630

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25 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>	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
Total revenue for segment	49 562 585	16 904 860	37 674 837	13 998 462
Reclassification of interest income to trading result	(8 995 542)	(3 100 869)	(1 813 839)	(785 943)
Reclassification of commission income to trading result	(1 858 225)	(662 512)	(1 511 836)	(584 059)
Reclassification of interest expenses to interest income	343 956	343 956	112 334	112 334
Reclassification of provision for loan impairment to interest income and unwinding effect	257 689	100 651	259 302	54 065
Effect of the consolidation of the subsidiaries and other adjustments	22 911	4 779	29 984	(151 499)
Total revenue	39 333 374	13 590 865	34 750 782	12 643 360

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>	Nine-Month Period Ended 30 September 2012 (Unaudited)	Three-Month Period Ended 30 September 2012 (Unaudited)	Nine-Month Period Ended 30 September 2011 (Unaudited)	Three-Month Period Ended 30 September 2011 (Unaudited)
Total segment result	13 961 921	4 340 388	8 985 070	2 226 630
Consolidation of subsidiaries and associate	439 117	262 366	(18)	(84 823)
Intercompany adjustments	(8 737)	32 134	47 099	138 608
Profit after tax	14 392 301	4 634 888	9 032 151	2 280 415

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25 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 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>				
Material income or expenses for the nine-month period ended 30 September 2012				
External revenues, including				
- Interest and similar income	39 072 387	(8 393 897)	(79 823)	30 598 667
- Fee and commission income	10 490 198	(1 858 225)	102 734	8 734 707
Interest and similar expense	(17 812 782)	5 501 349	100 036	(12 211 397)
Fee and commission expense	(2 097 455)	-	(1 959)	(2 099 414)
Release/(charge) of provision for loan impairment	100 894	(257 689)	(71 525)	(228 320)
Trading result	2 546 540	4 844 212	146 088	7 536 840
Valuation result from hedge accounting and other derivative instruments	(190 053)	164 250	-	(25 803)
Net income from investments	102 316	-	38 855	141 171
Depreciation and amortization	(1 445 078)	-	(4 424)	(1 449 502)
Other administrative expenses	(12 667 733)	-	340 970	(12 326 763)
Other operating profit/(loss)	94 244	-	(135 289)	(41 045)
Income taxes	(4 231 557)	-	(5 283)	(4 236 840)

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 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>				
Material income or expenses for the three-month period ended 30 September 2012				
External revenues, including				
- Interest and similar income	13 188 102	(2 656 262)	(58 310)	10 473 530
- Fee and commission income	3 716 758	(662 512)	63 089	3 117 335
Interest and similar expense	(5 814 885)	1 735 894	85 447	(3 993 544)
Fee and commission expense	(694 275)	-	(570)	(694 845)
Charge of provision for loan impairment	(181 750)	(100 651)	(44 006)	(326 407)
Trading result	188 561	1 693 302	145 308	2 027 171
Valuation result from hedge accounting and other derivative instruments	(290 298)	62 246	-	(228 052)
Net income from investments	188 012	(72 017)	42 491	158 486
Depreciation and amortization	(494 201)	-	(1 535)	(495 736)
Other administrative expenses	(4 340 874)	-	191 346	(4 149 528)
Other operating profit/(loss)	145 866	-	(77 108)	68 758
Income taxes	(1 270 628)	-	(51 652)	(1 322 280)

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25 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2011 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>				
Material income or expenses for the nine-month period ended 30 September 2011				
External revenues, including				
- Interest and similar income	29 032 130	(1 442 203)	(134 110)	27 455 817
- Fee and commission income	8 642 707	(1 511 836)	164 094	7 294 965
Interest and similar expense	(11 708 095)	2 673 658	13 584	(9 020 853)
Fee and commission expense	(1 596 969)	-	(5 010)	(1 601 979)
Charge of provision for loan impairment	(197 699)	(259 302)	166 515	(290 486)
Trading result	1 252 884	420 702	14 375	1 687 961
Valuation result from hedge accounting and other derivative instruments	151 202	118 981	(782)	269 401
Net income from investments	113 829	-	(62 571)	51 258
Depreciation and amortization	(1 534 330)	-	(4 048)	(1 538 378)
Other administrative expenses	(11 891 636)	-	(23 440)	(11 915 076)
Other operating loss	(216 968)	-	(99 754)	(316 722)
Income taxes	(3 061 985)	-	18 228	(3 043 757)

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

	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>				
Material income or expenses for the three-month period ended 30 September 2011				
External revenues, including				
- Interest and similar income	10 765 194	(619 544)	(155 280)	9 990 370
- Fee and commission income	3 233 268	(584 059)	3 781	2 652 990
Interest and similar expense	(4 389 679)	976 553	4 177	(3 408 949)
Fee and commission expense	(598 226)	-	(2 156)	(600 382)
(Charge)/release of provision for loan impairment	(210 363)	(54 064)	298 080	33 653
Trading result	(1 657 288)	230 428	62 522	(1 364 338)
Valuation result from hedge accounting and other derivative instruments	726 798	163 018	(807)	889 009
Net income/(loss) from investments	118 932	(112 330)	(49 638)	(43 036)
Depreciation and amortization	(600 985)	-	(1 438)	(602 423)
Other administrative expenses	(4 003 838)	-	34 291	(3 969 547)
Other operating loss	(70 694)	-	(97 847)	(168 541)
Income taxes	(1 086 489)	-	(41 902)	(1 128 391)

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.

25 Segment Analysis (Continued)

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

The reconciling items are attributable to the following.

Reclassification in Interest and similar expense for nine-month period ended 30 September 2012:

- reclassification of interest expenses from deposits which are the hedged items in Cash flow hedge from interest and similar expenses to trading result in the amount RR nill (for nine-month period ended 30 September 2011: RR 41 762 thousand);
- reclassification of computed refinancing cost of trading portfolio from trading result to interest and similar expenses in the amount RR 1 021 948 thousand (for nine-month period ended 30 September 2011: 1 246 390 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 343 956 thousand (for nine-month period ended 30 September 2011: 112 334 thousand); and
- reclassification of interest expenses from interest rate derivatives from interest and similar expenses to trading result in the amount of RR 6 867 253 thousand (for nine-month period ended 30 September 2011: RR 3 990 620 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 257 689 thousand (for nine-month period ended 30 September 2011: RR 259 302 thousand).

Reclassification in Trading result for nine-month period ended 30 September 2012:

- the total amount of reclassification from trading result to interest and similar expenses is equal to the amount of RR 1 365 904 thousand (for nine-month period ended 30 September 2011: RR 1 358 724 thousand);
- the total amount of reclassification to trading result from interest and similar expenses is equal to the amount of RR 6 867 253 thousand (for nine-month period ended 30 September 2011: RR 3 990 620 thousand);
- reclassification of interest income from interest rate derivatives from interest and similar income to trading result in the amount of RR 10 921 637 thousand (for nine-month period ended 30 September 2011: RR 4 895 694 thousand);
- reclassification of ineffective part from hedge accounting from valuation result from hedge accounting and other derivative instruments to trading result in the amount of RR minus 164 250 thousand (for nine-month period ended 30 September 2011: RR minus 118 981 thousand);
- reclassification of coupon income for trading securities from trading result to interest income in the amount of RR 1 920 768 thousand (for nine-month period ended 30 September 2011: RR 3 089 921 thousand);
- reclassification of the result on clients' foreign exchange transactions from commission income to trading result in the amount of RR plus 55 224 thousand (for nine-month period ended 30 September 2011: 119 278 thousand).

26 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit market geographical currency liquidity and interest rate) operational risks and credit risk concentrations. The primary objectives of the financial risk management function are to identify and assess risks establish risk limits assume risk mitigation measures ensure that all material risks are measured and limited and that business in general is evaluated under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2011.

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

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

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

The 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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26 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 30 September 2012:

<i>In thousands of Russian Roubles</i>	Monetary financial assets	Monetary financial liabilities	Less fair value of currency derivatives	Currency derivatives	Net position including currency derivatives
Russian Roubles	282 018 566	297 764 660	4 374 015	99 758 889	79 638 780
US Dollars	242 640 279	151 783 058	201 155	(92 695 799)	(2 039 733)
Euros	64 947 471	63 351 254	374 012	(826 700)	395 505
Other	4 525 502	3 285 326	(14 527)	(1 301 735)	(47 032)
Total	594 131 818	516 184 298	4 934 655	4 934 655	77 947 520

The Group's exposure to foreign currency exchange rate risk at 31 December 2011 is presented below:

<i>In thousands of Russian Roubles</i>	Monetary financial assets	Monetary financial liabilities	Less fair value of currency derivatives	Currency derivatives	Net position including currency derivatives
Russian Roubles	285 382 826	310 547 063	2 977 364	109 660 108	81 518 507
US Dollars	203 127 534	118 594 083	(1 850 235)	(93 187 132)	(6 803 446)
Euros	83 424 012	71 497 034	(269 114)	(12 777 051)	(580 959)
Other	5 256 889	2 291 933	(44 401)	(2 882 311)	127 046
Total	577 191 261	502 930 113	813 614	813 614	74 261 148

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

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26 Financial Risk Management (Continued)

The following table presents currency position of the Group's financial assets and liabilities at 30 September 2012:

<i>In thousands of Russian Roubles</i>	Russian Roubles	US Dollars	Euros	Other currencies	Total
Assets					
Cash and cash equivalents	39 552 340	70 536 793	45 840 720	404 689	156 334 542
Mandatory cash balances with the Central bank of the Russian Federation	5 926 041	-	-	-	5 926 041
Trading securities and repurchase receivables related to trading securities	13 314 836	919 976	-	-	14 234 812
Investment securities available for sale	-	908 328	-	-	908 328
Other securities at fair value through profit or loss	31 296 065	3 762 101	-	-	35 058 166
Due from other banks	6 509 283	15 921 326	8 000 411	1 194	30 432 214
Loans and advances to customers	178 743 267	148 721 361	10 281 482	4 111 442	341 857 552
Investment securities held-to-maturity	498 908	-	-	-	498 908
Derivatives and other financial assets	6 504 129	2 783 471	824 858	8 177	10 120 635
Total financial assets	282 344 869	243 553 356	64 947 471	4 525 502	595 371 198
Liabilities					
Due to other banks	35 720 754	2 899 731	628 040	57 492	39 306 017
Customer accounts	247 338 402	99 427 856	59 187 817	3 195 963	409 150 038
Term borrowings from the Parent Bank	-	36 227 781	3 430 991	-	39 658 772
Term borrowings from other financial institutions	846	8 361 612	-	-	8 362 458
Debt securities in issue	12 798 588	-	-	-	12 798 588
Derivatives and other financial liabilities	1 906 069	4 866 078	104 406	31 871	6 908 424
Total financial liabilities	297 764 659	151 783 058	63 351 254	3 285 326	516 184 297
Net balance sheet position	(15 419 789)	91 770 298	1 596 217	1 240 176	79 186 902
Less FV of currency derivatives	4 374 015	201 155	374 012	(14 527)	4 934 655
Currency derivatives	99 758 889	(92 695 799)	(826 700)	(1 301 735)	4 934 655
Net position including currency derivatives	79 965 084	(1 126 656)	395 505	(47 032)	79 186 901

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26 Financial Risk Management (Continued)

Currency position of the Group's financial assets and liabilities at 31 December 2011 is set out below:

<i>In thousands of Russian Roubles</i>	Russian Roubles	US Dollars	Euros	Other currencies	Total
Assets					
Cash and cash equivalents	32 941 845	32 218 470	73 923 633	435 869	139 519 817
Mandatory cash balances with the Central bank of the Russian Federation	5 921 349	-	-	-	5 921 349
Trading securities and repurchase receivables related to trading securities	48 609 210	4 867 606	457 455	-	53 934 271
Other securities at fair value through profit or loss	4 967 715	8 416	-	-	4 976 131
Due from other banks	3 160 430	836 915	-	1 343	3 998 688
Loans and advances to customers	179 336 470	162 049 708	8 550 930	4 805 959	354 743 067
Investment securities available for sale	5 095 466	715 209	-	-	5 810 675
Investment securities held-to- maturity	509 681	-	-	-	509 681
Derivatives and other financial assets	5 228 642	3 151 355	491 994	13 718	8 885 709
Total financial assets	285 770 808	203 847 679	83 424 012	5 256 889	578 299 388
Liabilities					
Due to other banks	27 635 858	1 888 444	372 164	38 962	29 935 428
Customer accounts	268 116 622	63 488 352	65 661 505	2 194 863	399 461 342
Term borrowings from the Parent Bank	-	42 113 950	4 873 568	-	46 987 518
Term borrowings from other financial institutions	-	3 859 816	-	-	3 859 816
Debt securities in issue	11 828 102	-	-	-	11 828 102
Other financial liabilities	2 966 481	7 243 521	589 797	58 108	10 857 907
Total financial liabilities	310 547 063	118 594 083	71 497 034	2 291 933	502 930 113
Net balance sheet position	(24 776 255)	85 253 596	11 926 978	2 964 956	75 369 275
Less FV of currency derivatives	2 977 364	(1 850 235)	(269 114)	(44 401)	813 614
Currency derivatives	109 660 108	(93 187 132)	(12 777 051)	(2 882 311)	813 614
Net position including currency derivatives	81 906 489	(6 083 301)	(580 959)	127 046	75 369 275

26 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 September 2012 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
In thousands of Russian Roubles					
Assets					
Cash and cash equivalents	47 196 897	104 167 782	2 631 663	2 338 200	156 334 542
Mandatory cash balances with the Central bank of the Russian Federation	5 926 041	-	-	-	5 926 041
Trading securities and repurchase receivables related to trading securities	14 234 812	-	-	-	14 234 812
Other securities at fair value through profit or loss	33 477 763	-	1 580 403	-	35 058 166
Due from other banks	6 498 928	23 497 932	-	435 354	30 432 214
Loans and advances to customers	305 612 315	60 996	30 764 898	5 419 343	341 857 552
Investment securities available for sale	-	-	-	908 328	908 328
Securities held-to-maturity	498 908	-	-	-	498 908
Derivatives and other financial assets	6 557 620	2 623 292	790 078	149 645	10 120 635
Total financial assets	420 003 284	130 350 002	35 767 042	9 250 870	595 371 198
Liabilities					
Due to other banks	32 674 127	1 940 697	3 013 871	1 677 322	39 306 017
Customer accounts	399 249 811	1 042 601	7 409 837	1 447 789	409 150 038
Term borrowings from the Parent Bank	6 174	39 652 598	-	-	39 658 772
Term borrowings from other financial institutions	1 020	2 002 302	5 323 620	1 035 516	8 362 458
Debt securities in issue	12 798 588	-	-	-	12 798 588
Other financial liabilities	3 907 657	2 347 410	385 640	267 717	6 908 424
Total financial liabilities	448 637 377	46 985 608	16 132 968	4 428 344	516 184 297
Net balance sheet position	(28 634 093)	83 364 394	19 634 074	4 822 526	79 186 901
Credit related commitments (Note 26)	189 124 242	1 839 979	2 378 287	2 078 963	195 421 471

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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26 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2011 is set out below:

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

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 30 September 2012 or 31 December 2011.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits current accounts maturing deposits loan draw downs guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

26 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 30 September 2012 and 31 December 2011:

<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
At 30 September 2012					
Financial assets	298 536 336	85 780 299	168 945 856	42 108 707	595 371 198
Financial liabilities	339 117 831	58 221 444	116 500 731	2 344 291	516 184 297
Net liquidity gap based on expected maturities	(40 581 495)	27 558 855	52 445 125	39 764 416	79 186 901
At 31 December 2011					
Financial assets	257 260 061	85 863 191	192 445 101	42 731 035	578 299 388
Financial liabilities	323 113 312	74 101 392	104 454 045	1 261 364	502 930 113
Net liquidity gap based on expected maturities	(65 853 251)	11 761 799	87 991 056	41 469 671	75 369 275

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

27 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%.

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:

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27 Management of Capital (Continued)

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Net assets under Russian GAAP	69 810 481	61 380 360
Less: intangible assets and equity investments	(1 626 160)	(1 464 200)
Plus: subordinated debt	1 276 868	2 401 829
Plus: other	9 331 675	15 995 586
Total regulatory capital	78 792 864	78 313 575

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.

As of 30 September 2012 the Group applied the Internal Ratings-based (IRB) Approach for a calculation of capital requirement for Non Retail Customers credit risk that assumes a rely on internal estimates of risk components in determining the capital requirement for a given exposure. The corresponding information for 2011 has been adjusted under IRB Approach to conform the presentation of the current year figures.

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>	30 September 2012 (Unaudited)	31 December 2011
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	58 489 400	50 383 753
Less: equity instruments	(908 328)	(715 209)
Less: deferred tax	(1 996 134)	(2 749 879)
Total tier 1 capital before deductions	100 964 925	92 298 652
Less: intangible assets	(11 715 901)	(11 862 200)
Total tier 1 capital	89 249 024	80 436 452
Tier 2 capital		
Revaluation reserve for equity instruments	408 748	321 844
Subordinated debt	494 670	1 429 507
Less: insurance holding companies	(173 709)	(173 709)
Less: deduction items from additional own funds plus LLP surplus	1 891 087	2 312 548
Total tier 2 capital	2 620 796	3 890 190
Total capital	91 869 820	84 326 642

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27 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>	30 September 2012 (Unaudited)	31 December 2011
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	58 489 400	50 383 753
Less: equity instruments	(908 328)	(715 209)
Total tier 1 capital before deductions	102 961 059	95 048 531
Less: goodwill	(10 700 290)	(10 700 290)
Total tier 1 capital	92 260 769	84 348 241
Tier 2 capital		
Revaluation reserve for equity instruments	408 748	321 844
Subordinated debt	494 670	1 429 507
Less: insurance holding companies	(173 709)	(173 709)
Less: deduction items from additional own funds plus LLP surplus	1 891 087	2 312 548
Total tier 2 capital	2 620 796	3 890 190
Total capital	94 881 565	88 238 431

The Group and the Bank have complied with all externally imposed capital requirements throughout 2012 and 2011.

Risk weighted assets

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Total Risk weighted assets	504 070 224	582 260 202
Capital Adequacy Ratio by Austrian Banking Act	18.23%	14.48%
Capital Adequacy Ratio by Basel II	18.82%	15.15%

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

28 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 2011 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties as determined under the Russian Tax Code all cross-border transactions (irrespective of whether performed between related or unrelated parties) transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time and barter transactions. Significant difficulties exist in interpreting and applying the transfer pricing legislation in practice. Any prior existing court decisions may provide guidance but are not legally binding for decisions by other or higher level courts in the future.

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

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

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

<i>In thousands of Russian Roubles</i>	30 September 2012 (Unaudited)	31 December 2011
Not later than 1 year	649 497	700 267
Later than 1 year and not later than 5 years	6 663	13 471
Total operating lease commitments	656 160	713 738

Compliance with covenants. The Group is subject to certain covenants related primarily to its other borrowed funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with covenants as at 30 September 2012.

28 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>	30 September 2012	31 December 2011
	(Unaudited)	
Undrawn credit lines and Overdraft facilities (revocable)	56 939 227	50 244 401
Guarantees issued (irrevocable)	44 883 560	63 142 639
Undrawn commitments to issue documentary instruments (irrevocable)	28 181 730	32 356 542
Undrawn commitments to issue documentary instruments (revocable)	25 371 377	10 662 488
Undrawn credit lines and Overdraft facilities (irrevocable)	23 078 933	51 460 820
Import letters of credit (irrevocable)	13 954 222	10 824 479
Export letters of credit (irrevocable)	3 012 422	6 745 889
Credit related commitments before provision	195 421 471	225 437 258
Less: Provision for credit related commitments	(602 690)	(1 098 816)
Total credit related commitments	194 818 781	224 338 442

The total outstanding contractual amount of undrawn credit lines letters of credit and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 65 727 thousand at 30 September 2012 (31 December 2011: RR 58 375 thousand).

<i>In thousands of Russian Roubles</i>	30 September 2012	31 December 2011
	(Unaudited)	
Russian Roubles	134 404 491	150 311 137
US Dollars	40 849 769	59 253 043
Euro	17 194 809	15 857 759
Other	2 972 402	15 319
Total credit related commitments before provision	195 421 471	225 437 258

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28 Contingencies and Commitments (Continued)

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

	Note	30 September 2012 (Unaudited)		31 December 2011	
		Asset pledged	Related liability	Asset pledged	Related liability
<i>In thousands of Russian Roubles</i>					
Repurchase receivables related to trading securities	8, 15	8 639 610	7 323 141	-	-
Repurchase Receivables related to other securities at Fair Value Through Profit or Loss	9, 15	7 724 837	6 978 825	-	-
Total		16 364 447	14 301 966	-	-

As at 30 September 2012 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 13 608 080 thousand (31 December 2011: RR 4 486 841 thousand). As at 30 September 2012 the fair value of such securities repledged under direct sale and repurchase agreements with other banks amounted to RR 6 666 941 thousand (31 December 2011: Nil). Refer to Note 15.

Mandatory cash balances with the Bank of Russia in the amount of RR 5 926 041 thousand (31 December 2011: RR 5 921 349 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

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29 Related Party Transactions

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

At 30 September 2012 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: 0.18% – 6.50% p.a.)	104 075 277	103 033	-	-	-
Due from other banks (contractual interest rate: 0.00% – 8.10% p.a.)	23 497 932	399 538	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 2.02% – 11.34% p.a.)	-	60 120	4 795 191	91 263	-
Purchased intangible assets less accumulated depreciation	158 737	-	-	-	-
Derivatives and other financial assets	4 679 600	5 581	-	-	-
Investments in associate	-	-	1 743 886	-	-
Due to other banks (contractual interest rate: 1.25% – 9.88% p.a.)	37 194	2 385 779	-	-	23 638
Customer accounts (contractual interest rate: 0.60% – 7.42% p.a.)	-	-	3 731 460	-	-
Term borrowings from the Parent Bank (contractual interest rate: 1.89% – 3.26% p.a.)	39 658 772	-	-	-	-
Term borrowings from other financial institutions (contractual interest rate: 2.12% p.a.)	-	-	-	-	2 003 321
Other liabilities	673 308	-	-	153 932	-
Derivatives and other financial liabilities	3 719 815	1181	-	-	-

29 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 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	312 501	40 146	295 520	2 745	-
Interest expense	(965 926)	(40 782)	(97 726)	-	(39 197)
Fee and commission income	82 112	6 850	2 018	-	-
Fee and commission expense	(37 526)	-	-	-	-
Gains less losses/ (losses less gains) from trading in foreign currencies	172 520	5 060	7 355	-	(609)
Realized gains less losses/(losses net of gains) from financial derivatives	121 7281	(13 703)	-	-	-
Unrealized gains less losses/(losses net of gains) from financial derivatives	(340 264)	(9 533)	-	-	-
Ineffectiveness from the hedge accounting	(165 044)	-	-	-	-
Administrative and other operating expenses	(371 654)	(7 277)	-	(161 566)	-
Other operating income	2 829	-	2 465	-	-
Share of profit of associate	-	-	393 943	-	-

The income and expense items with related parties for the three-month period ended 30 September 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	91 982	10 457	106 243	1 540	-
Interest expense	(309 446)	(18 217)	(33 712)	-	(12 999)
Fee and commission income	66 373	2 854	467	-	-
Fee and commission expense	(8 927)	-	-	-	-
Gains less losses from trading in foreign currencies	100 758	2 142	2 182	-	(609)
Realized gains less losses/(losses net of gains) from financial derivatives	659 555	(1 137)	-	-	-
Unrealized gains less losses/(losses net of gains) from financial derivatives	2 828 305	13 812	-	-	-
Ineffectiveness from the hedge accounting	(63 040)	-	-	-	-
Administrative and other operating expenses	(77 346)	(955)	-	(50 340)	-
Other operating income	429	-	833	-	-
Share of profit of associate	-	-	138 280	-	-

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29 Related Party Transactions (Continued)

At 30 September 2012 other rights and obligations with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties
Guarantees issued by the Group at the period end	314 631	518 429	4 178	-
Guarantees received by the Group at the period end	379 347	743 921	-	125 289
Letters of credit issued by the Group at the period end	-	360 764	4 708	-
Undrawn credit lines and overdraft facilities	650 000	400 000	808 177	450 000
Interest rate swap agreements – notional amount as at the period end	135 372 291	-	-	-
Interest rate swap agreements – fair values as at the period end	(939 309)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	39 728 411	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	39 144 339	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	1 122 083	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	56 653 622	1 611 804	-	-
Foreign currency derivative financial instruments – principal amount sold	55 597 091	1 607 545	-	-
Foreign currency derivative financial instruments – fair value	777 011	4 400	-	-

At 31 December 2011 the outstanding balances with related parties were as follows:

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

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29 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 2011 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	288 327	28 044	123 731	3 604	-
Interest expense	(1 544 993)	(6 555)	(109 539)	-	(32 885)
Fee and commission income	38 458	4 709	2 724	-	-
Fee and commission expense	(37 049)	-	-	-	-
Losses net of gains from trading in foreign currencies	19 868	18 932	3 900	-	-
Realized gains less losses from financial derivatives	(31 657)	(12 992)	-	-	-
Unrealized losses less gains from financial derivatives	(134 328)	(6 648)	-	-	-
Ineffectiveness from the hedge accounting	(118 981)	-	-	-	-
Administrative and other operating expenses	(261 423)	(8 834)	-	(190 339)	-
Other operating income	90	-	2 405	-	-
Share of profit of associate	-	-	105 237	-	-

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

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

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29 Related Party Transactions (Continued)

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

<i>In thousands of Russian Roubles</i>	Parent bank	Subsidiaries of the Parent Bank	Associate	Other related parties
Guarantees issued by the Group at the year end	313 952	411 719	-	-
Guarantees received by the Group at the year end	649 521	624 531	-	50 400
Letters of credit issued by the Group at the year end	-	1 497 186	-	-
Undrawn credit lines	650 000	551 575	4 131 352	450 000
Interest rate swap agreements – notional amount as at the year end	135 583 749	-	-	-
Interest rate swap agreements – fair values as at the year end	(1 271 551)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the year end	16 615 641	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	15 959 961	-	-	-
Cross currency interest rate swap agreements – fair values as at the year end	436 186	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	55 201 629	665 438	-	-
Foreign currency derivative financial instruments – principal amount sold	55 181 589	668 420	-	-
Foreign currency derivative financial instruments – fair value	(87 800)	(3 454)	-	-
Interest rate options purchased – notional amount	1 000 000	-	-	-
Interest rate options purchased – fair value	5 674	-	-	-

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

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	30 September 2012 Expense	30 September 2012 Accrued liability	30 September 2011 Expense	30 September 2011 Accrued liability
Short-term benefits:				
- Salaries	100 835	-	100 487	-
- Short-term bonuses	59 867	148 863	86 685	196 405
Share-based compensation:				
- Cash-settled share-based compensation	864	5 069	3 167	10 452
Total	161 566	153 932	190 339	206 857

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