

**TRANSCREDITBANK GROUP**

**Interim Condensed Consolidated Financial Statements**

*For the nine-months ended 30 September 2011*

## CONTENTS

Interim Condensed Consolidated Statement of Financial Position .....	1
Interim Condensed Consolidated Income Statement .....	2
Interim Condensed Consolidated Statement of Comprehensive Income.....	3
Interim Condensed Consolidated Statement of Changes in Equity.....	4
Interim Condensed Consolidated Statement of Cash Flows .....	5

## SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Activities .....	6
2. Basis of Preparation.....	7
3. Cash and Cash Equivalents.....	10
4. Trading Securities .....	11
5. Amounts due from Credit Institutions .....	11
6. Loans to Customers.....	12
7. Investment Securities.....	14
8. Venture capital investments.....	15
9. Amounts due to Credit Institutions .....	16
10. Other Borrowed Funds .....	16
11. Amounts due to Customers .....	17
12. Debt Securities Issued .....	17
13. Equity .....	18
14. Salaries and Other Employee Benefits and Administrative Expenses.....	18
15. Taxation.....	19
16. Liquidity Risk Management.....	19
17. Fair Values of Financial Instruments .....	20
18. Maturity Analysis of Financial Assets and Liabilities .....	21
19. Segment Information .....	22
20. Related Party Transactions .....	23
21. Contingencies and Commitments.....	27
22. Derivative financial instruments .....	27
23. Capital Adequacy .....	28
24. Events after the Reporting Period.....	29

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 30 September 2011

*(in thousands of Russian Roubles)*

	<i>Notes</i>	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
<b>Assets</b>			
Cash and cash equivalents	3	15,834,392	35,007,577
Obligatory reserve with the Central Bank		4,153,776	1,904,004
Trading securities	4	52,563,484	57,964,697
Trading securities pledged under repurchase agreements	4	2,108,769	395,194
Amounts due from credit institutions	5	3,858,508	64,688,561
Derivative financial assets	22	2,361,323	2,674,193
Loans to customers	6	337,143,341	203,886,468
Investment securities:	7		
- available-for-sale		1,697,076	5,965,528
- held-to-maturity		1,050,124	2,125,883
Venture capital investments	8	1,645,000	2,001,470
Investments in associates		4	4
Current tax assets		390,737	59,250
Deferred tax assets	15	586,936	196,906
Property and equipment		5,389,199	5,513,992
Investment property		3,885,465	3,035,294
Intangible assets		312,489	275,108
Other assets		3,895,382	5,180,518
<b>Total assets</b>		<b>436,876,005</b>	<b>390,874,647</b>
<b>Liabilities</b>			
Amounts due to credit institutions	9	60,422,764	16,051,721
Other borrowed funds	10	10,187,841	9,835,057
Derivative financial liabilities	22	514,549	597,782
Amounts due to customers	11	283,682,375	276,480,740
Debt securities issued	12	21,811,629	40,137,525
Current tax liabilities		95,305	202,669
Deferred tax liabilities	15	441,799	529,508
Subordinated debt	20	25,453,586	15,999,772
Other liabilities		1,816,739	2,863,772
<b>Total liabilities</b>		<b>404,426,587</b>	<b>362,698,546</b>
<b>Equity</b>			
Share capital	13	4,001,897	4,001,897
Share premium		4,200,000	4,200,000
Unrealized gain on available-for-sale securities, net of tax		27,918	164,095
Unrealised gain on hedging instruments, net of tax	10	54,729	-
Property revaluation reserve, net of tax		326,281	333,027
Retained earnings		23,779,530	18,982,823
<b>Total equity attributable to shareholders of the Bank</b>		<b>32,390,355</b>	<b>27,681,842</b>
Non-controlling interests		59,063	494,259
<b>Total equity</b>		<b>32,449,418</b>	<b>28,176,101</b>
<b>Total liabilities and equity</b>		<b>436,876,005</b>	<b>390,874,647</b>

Signed and authorized for release on behalf of the Management Board of the Bank

Novozhilov Y.V.  
President

9 December 2011

Skvortsov A.B.  
Vice President

The accompanying notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

for the three months and the nine months ended 30 September 2011

*(in thousands of Russian Roubles)*

	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2011	2010	2011	2010
<b>Interest income</b>					
Loans to customers		8,087,364	5,653,287	20,430,303	15,969,282
Trading securities		1,217,441	973,249	3,434,378	2,563,723
Finance lease receivables		1,038,719	662,414	3,112,466	1,456,387
Investment securities		89,818	136,298	204,821	451,128
Amounts due from credit institutions		86,446	159,239	575,979	744,820
		<b>10,519,788</b>	<b>7,584,487</b>	<b>27,757,947</b>	<b>21,185,340</b>
<b>Interest expense</b>					
Amounts due to customers		(3,278,729)	(2,821,654)	(8,849,692)	(7,740,014)
Amounts due to credit institutions and other borrowed funds		(839,436)	(59,626)	(1,733,919)	(282,961)
Debt securities issued		(505,150)	(928,108)	(2,292,130)	(2,736,516)
Amounts due to the Central Bank		(130)	(43)	(252)	(86,090)
		<b>(4,623,445)</b>	<b>(3,809,431)</b>	<b>(12,875,993)</b>	<b>(10,845,581)</b>
<b>Net interest income</b>					
Allowance for impairment of interest earning assets	5,6,7	(434,228)	220,381	(2,600,978)	(1,627,014)
<b>Net interest income after allowance for impairment of interest earning assets</b>					
		<b>5,462,115</b>	<b>3,995,437</b>	<b>12,280,976</b>	<b>8,712,745</b>
Fee and commission income		1,885,892	1,399,483	4,631,850	3,565,364
Fee and commission expense		(332,392)	(248,643)	(810,108)	(621,355)
<b>Net fee and commission income</b>					
		<b>1,553,500</b>	<b>1,150,840</b>	<b>3,821,742</b>	<b>2,944,009</b>
Gains less losses from trading securities		(1,923,965)	350,506	(1,703,542)	1,079,732
Gains less losses from derivatives		(136,792)	828	(400,582)	(4,213)
Gains less losses from investment property		-	-	80,060	489,122
Gains less losses from investment securities available-for-sale		(114,586)	7,102	89,595	73,464
Gains less losses from foreign currencies					
- translation differences		1,330,381	(212,974)	1,297,116	(107,201)
- dealing in foreign currencies		(1,125,643)	20,954	(724,781)	405,534
Rental income on investment property		53,661	68,795	171,902	198,542
Dividend income		37,929	1,917	97,087	15,965
Loss on initial recognition of loans to customers at fair value		-	(2,884)	-	(96,725)
Other income		325,018	167,326	1,108,119	475,451
<b>Non-interest income</b>					
		<b>(1,553,997)</b>	<b>401,570</b>	<b>14,974</b>	<b>2,529,671</b>
Salaries and other employee benefits	14	(1,720,865)	(1,372,212)	(5,537,711)	(4,125,709)
Administrative expenses	14	(1,183,316)	(917,394)	(3,510,201)	(2,732,914)
Depreciation and amortization		(172,902)	(131,003)	(533,677)	(457,721)
Obligatory deposit insurance system expenses		(78,766)	(53,486)	(216,678)	(143,433)
Other impairment losses (charge)/recovery		(3,463)	316	(11,201)	(1,906)
Loss from disposal of subsidiaries (Note 2)		-	-	(26,732)	-
<b>Non-interest expense</b>					
		<b>(3,159,312)</b>	<b>(2,473,779)</b>	<b>(9,836,200)</b>	<b>(7,461,683)</b>
<b>Profit before income tax expense</b>					
		<b>2,302,306</b>	<b>3,074,068</b>	<b>6,281,492</b>	<b>6,724,742</b>
Income tax expense	15	(404,829)	(627,756)	(1,287,740)	(1,504,772)
<b>Profit for the period</b>					
		<b>1,897,477</b>	<b>2,446,312</b>	<b>4,993,752</b>	<b>5,219,970</b>
Attributable to:					
Shareholders of the parent		1,827,416	2,472,070	4,973,789	5,332,201
Non-controlling interests		70,061	(25,758)	19,963	(112,231)

The accompanying notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

for the three months and the nine months ended 30 September 2011

*(in thousands of Russian Roubles)*

	<i>Notes</i>	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
		<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<b>Profit for the period</b>		<b>1,897,477</b>	<b>2,446,312</b>	<b>4,993,752</b>	<b>5,219,970</b>
<b>Other comprehensive income</b>					
Unrealised gains on investment securities available-for-sale		102,025	43,203	75,920	309,278
Realised gains on investment securities available-for-sale reclassified to the income statement		(41,960)	(7,102)	(246,141)	(73,464)
Unrealised gains on hedging instruments	10	269,599	-	68,411	-
Income tax relating to components of other comprehensive income	15	(65,933)	(7,220)	20,362	(47,163)
<b>Other comprehensive income for the period, net of tax</b>		<b>263,731</b>	<b>28,881</b>	<b>(81,448)</b>	<b>188,651</b>
<b>Total comprehensive income for the period</b>		<b>2,161,208</b>	<b>2,475,193</b>	<b>4,912,304</b>	<b>5,408,621</b>
Attributable to:					
- shareholders of the Bank		2,091,147	2,500,951	4,892,341	5,520,852
- non-controlling interests		70,061	(25,758)	19,963	(112,231)
		<b>2,161,208</b>	<b>2,475,193</b>	<b>4,912,304</b>	<b>5,408,621</b>

*The accompanying notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2011

(in thousands of Russian Roubles)

	Attributable to shareholders of the Bank							Total	Non-controlling interests	Total equity
	<i>Paid-in share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Retained earnings</i>	<i>Unrealized gain/(loss) on available-for-sale securities, net of tax</i>	<i>Unrealised gain on hedging instrument, net of tax</i>	<i>Property revaluation reserve</i>			
<b>As at 1 January 2010</b>	<b>4,001,897</b>	<b>4,200,000</b>	<b>(12,689)</b>	<b>11,882,885</b>	<b>(119,459)</b>	<b>–</b>	<b>–</b>	<b>19,952,634</b>	<b>117,929</b>	<b>20,070,563</b>
Total comprehensive income for the period (unaudited)	–	–	–	5,332,201	188,651	–	–	5,520,852	(112,231)	5,408,621
Dividends to shareholders of the Bank (unaudited)	–	–	–	(477,922)	–	–	–	(477,922)	–	(477,922)
Acquisition of non-controlling interest in existing subsidiary (unaudited)	–	–	–	24,743	–	–	–	24,743	(51,339)	(26,596)
Sale of treasury shares (unaudited)	–	–	410	3,198	–	–	–	3,608	–	3,608
<b>As at 30 September 2010 (unaudited)</b>	<b>4,001,897</b>	<b>4,200,000</b>	<b>(12,279)</b>	<b>16,765,105</b>	<b>69,192</b>	<b>–</b>	<b>–</b>	<b>25,023,915</b>	<b>(45,641)</b>	<b>24,978,274</b>
<b>As at 1 January 2011</b>	<b>4,001,897</b>	<b>4,200,000</b>	<b>–</b>	<b>18,982,823</b>	<b>164,095</b>	<b>–</b>	<b>333,027</b>	<b>27,681,842</b>	<b>494,259</b>	<b>28,176,101</b>
Total comprehensive income for the period (unaudited)	–	–	–	4,973,789	(136,177)	54,729	–	4,892,341	19,963	4,912,304
Property revaluation reserve amortization (unaudited)	–	–	–	6,746	–	–	(6,746)	–	–	–
Dividends to shareholders of the Bank (unaudited) (Note 13)	–	–	–	(400)	–	–	–	(400)	–	(400)
Disposal of subsidiary (unaudited) (Note 2)	–	–	–	–	–	–	–	–	(417,684)	(417,684)
Non-controlling interest arising from new subsidiaries (unaudited)	–	–	–	–	–	–	–	–	10	10
Acquisition of non-controlling interest in existing subsidiaries (unaudited)	–	–	–	(183,428)	–	–	–	(183,428)	(37,485)	(220,913)
<b>As at 30 September 2011 (unaudited)</b>	<b>4,001,897</b>	<b>4,200,000</b>	<b>–</b>	<b>23,779,530</b>	<b>27,918</b>	<b>54,729</b>	<b>326,281</b>	<b>32,390,355</b>	<b>59,063</b>	<b>32,449,418</b>

The accompanying notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****for the nine months ended 30 September 2011***(in thousands of Russian Roubles)*

	<i>For the nine-month period ended 30 September 2011 (unaudited)</i>	<i>For the nine-month period ended 30 September 2010 (unaudited)</i>
<b>Cash flows from operating activities</b>		
Interest income received	27,190,353	20,958,392
Interest expense paid	(11,069,126)	(8,070,705)
Fees and commissions received	4,403,660	3,565,364
Fees and commissions paid	(810,012)	(621,433)
Gains less losses from securities (realized)	(143,392)	742,563
Gains less losses from foreign currencies (realized)	366,364	(662,029)
Gains less losses from derivative instruments (realized)	109,299	857,108
Other income received	1,415,439	673,993
Salaries and other employee expenses paid	(5,632,470)	(4,003,635)
Administrative expenses paid	(3,483,581)	(2,736,670)
<b>Cash flow from operating activities before changes in operating assets/liabilities</b>	<b>12,346,534</b>	<b>10,702,948</b>
<i>Net (increase)/ decrease in operating assets</i>		
Obligatory reserve with the Central Bank	(2,249,772)	(838,876)
Trading securities	(646,701)	(35,969,162)
Amounts due from credit institutions	60,896,436	31,743,774
Loans to customers	(133,422,681)	(65,779,489)
Other assets	808,772	(329,280)
<i>Net increase/ (decrease) in operating liabilities</i>		
Amounts due to the Central Bank	-	(5,012,329)
Amounts due to credit institutions	42,503,151	1,900,151
Amounts due to customers	7,579,026	85,712,595
Other liabilities	467,916	(440,435)
<b>Net cash (used in)/from operating activities before income tax</b>	<b>(11,717,319)</b>	<b>21,689,897</b>
Income tax paid	(2,178,113)	(1,572,505)
<b>Net cash (used in)/from operating activities</b>	<b>(13,895,432)</b>	<b>20,117,392</b>
<b>Cash flows from/(used in) investing activities</b>		
Dividends received	97,087	15,965
Acquisition of associates	-	(408,076)
Held-to-maturity securities redeemed	1,094,170	734,698
Available-for-sale securities acquired	(5,000)	(8,818,887)
Available-for-sale securities sold	4,234,557	2,246,064
Venture capital investments acquired	-	(1,849,658)
Venture capital investments sold (Note 8)	352,783	-
Property and equipment purchased	(507,408)	(754,350)
Property and equipment sold	19,417	96,751
Investment property purchased	(173,585)	-
Investment property sold	27,500	-
Intangible assets purchased	-	(58,261)
Intangible assets sold	3,014	-
Subsidiaries sold, net of cash (Note 2)	(1,131,104)	-
Set up of new subsidiaries, net of cash (Note 2)	10	-
<b>Net cash from/(used in) investing activities</b>	<b>4,011,441</b>	<b>(8,795,754)</b>
<b>Cash flows used in financing activities</b>		
Treasury shares sold	-	3,608
Debt securities issued	2,825,156	17,526,233
Debt securities repaid	(20,303,639)	(16,270,313)
Dividends paid	(561)	(477,097)
Acquisition of non-controlling interests	(220,913)	(26,596)
Proceeds from issue of subordinated debt	8,500,000	-
Repayment of subordinated debt	(3,000)	(32,000)
Repayment of syndicated loans	(141,921)	(5,573,033)
<b>Net cash used in financing activities</b>	<b>(9,344,878)</b>	<b>(4,849,198)</b>
Effect of exchange rates on cash and cash equivalents	55,684	(39,387)
<b>Net change in cash and cash equivalents</b>	<b>(19,173,185)</b>	<b>6,433,053</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>35,007,577</b>	<b>30,045,671</b>
<b>Cash and cash equivalents at the end of the period (Note 3)</b>	<b>15,834,392</b>	<b>36,478,724</b>

*The accompanying notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.*

(in thousands of Russian Roubles, unless otherwise indicated)

## 1. Principal Activities

These interim condensed consolidated financial statements contain the accounts of Joint Stock Company “TransCreditBank” and its subsidiaries (the “Group”).

JSC “TransCreditBank” (the “Bank”) was formed on 4 November 1992 under the laws of the Russian Federation. The Bank operates under a general banking license No. 2142 granted by the Central Bank of Russia (the “CBR”) on 13 July 2005 and licenses No. 177-06332-010000, 177-06328-100000, 177-06338-000100, 177-06337-001000 for securities operations from the Federal Commission on Securities Market, granted on 20 December 2002. The Bank’s registered legal address is 37A, Novaya Basmanaya Street, Moscow, Russia, 105066.

The Bank’s main office is located in Moscow and it has 41 branches as at 30 September 2011 (31 December 2010: 43) in Ekaterinburg, Cheliabinsk, Samara, Nizhny Novgorod, Kaliningrad, Novokuznetsk, Yaroslavl, Saratov, Uzhno-Sakhalinsk, Krasnoyarsk, Irkutsk, Astrakhan, Orenburg, Novosibirsk, Omsk, Perm, Kurgan, Penza, St-Petersburg, Volgograd, Tver, Izhevsk, Khabarovsk, Petrozavodsk, Tula, Barnaul, Kaluga, Bryansk, Kemerovo, Kursk, Tomsk, Ufa, Vladivostok, Tumen, Orel, Kazan, Sochi, Voronezh, Rostov-on-Don, Blagoveschensk, Chita and 167 operating outlets (31 December 2010: 171).

The Group’s principal subsidiaries are financial and leasing companies, formed under the laws of the Russian Federation (Note 2).

The Bank and the Group were formed with the prime purpose to provide a full range of banking services and perform treasury functions to the Ministry of Railways (“MPS”) of the Russian Federation and a number of regional railways, which were reorganized into state owned Joint Stock Company “Russian Railways” (JSC “RZhD”) in 2003. TransCreditBank and its subsidiaries accept deposits from the public, make loans, transfer payments in Russia and abroad, exchange currencies, provide leasing and banking services for its corporate and retail customers.

As presented in the table below, as at 30 September 2011, two shareholders (as at 31 December 2010: two) owned more than 5% of the paid-in share capital:

Shareholder	<i>30 September 2011</i>	<i>31 December 2010</i>
Joint Stock Company “Russian Railways” (JSC “RZhD”)	25.00	54.39
Joint Stock Company VTB Bank (VTB Bank)	74.48	43.18
Other	0.52	2.43
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The Group is controlled by VTB Bank. As at 30 September 2011, members of the Board of Directors and Management Board owned 8,426 shares (31 December 2010: 11,318,664 shares or 0.49%) of the Bank. The ultimate controlling party is the Government of the Russian Federation.

(in thousands of Russian Roubles, unless otherwise indicated)

## 2. Basis of Preparation

### Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Russian economy has been affected by the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

Also, the recent economic downturn has affected the Group's borrowers' ability to repay the amounts due to the Group and the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

The Group is not exposed to seasonality or cyclicity of interim operations.

These interim condensed consolidated financial statements for the nine months ended 30 September 2011 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010.

### Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new Standards and Interpretations as at 1 January 2011, noted below and for adoption of hedge accounting:

#### *Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"*

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment had no impact on the Group's consolidated financial statements.

#### *IAS 24 Related party disclosures (Revised)*

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a Government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same Government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Group has not applied the exemption provided for government-related entities in the revised IAS 24 and discloses all transactions with government-related entities.

#### *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 did not have any material impact on the Group's consolidated financial statements.

(in thousands of Russian Roubles, unless otherwise indicated)

## 2. Basis of Preparation (continued)

### Changes in accounting policies (continued)

#### *Improvements to IFRSs*

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" will have impact on the accounting policies, financial position or performance of Group, as described below.

- IFRS 3 *Business combinations*: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. As the amendment should be applied from the date the Group applies IFRS 3 Revised, it may be required to restate for effects incurred under IFRS 3 Revised, but before the adoption of this amendment. The amendments to IFRS 3 have no impact on financial statements of the Group.
- IFRS 7 *Financial instruments*: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements are expected to have minor impact as information is expected to be readily available. The additional requirements will be introduced in the annual financial statements.
- IAS 34 *Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Disclosure on transfers of financial instruments between levels of the fair value hierarchy is presented in the Note 17 and disclosure on contingent liabilities is presented in the Note 21.
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Group.

#### *Hedge accounting*

The Group makes use of derivative instruments to manage exposure to fluctuation of cash flows from interest risk paid and currency fluctuation, as a result the Group applies hedge accounting for transactions, which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in cash flows attributable to the hedged risk during the period, for which the hedge is designated, are expected to offset in a range of 80% to 125%.

#### *Cash flow hedges*

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized through other comprehensive income directly in equity in the "Unrealized gain/(loss) on hedging instruments, net of tax" caption. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in "Gains less losses arising from derivatives". When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is reclassified to the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in "Gains less losses arising from derivatives".

(in thousands of Russian Roubles, unless otherwise indicated)

## 2. Basis of Preparation (continued)

### Subsidiaries

Major subsidiaries of the Bank included in these interim condensed consolidated financial statements are:

<i>Subsidiary</i>	<i>Principal activities</i>	<i>Ownership interest</i>		<i>Registered legal address</i>
		<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>	
LLC Dailys-Trade	Financial services	100.00%	100.00%	Kuusinena st., 6/3, Moscow, Russia, 123308
LLC Décor-Estate	Financial services	100.00%	100.00%	Strelbishensky st., 5/1, Moscow, Russia, 123317
CJSC TransCreditFactoring	Factoring	100.00%	100.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
LLC TransCreditLeasing	Leasing	100.00%	100.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
Closed Investment Equity Fund Profil	Financial services	99.90%	99.90%	Pokrovka st., 42, Building 5, Moscow, Russia, 105062
Closed Investment Equity Fund Strategical Investments Fund VI	Financial services	100.00%	100.00%	Kazanskaya st., 1/25, St.Petersburg, Russia, 191186
CJSC Expert	Financial services	100.00%	100.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
CJSC New Investment Projects	Financial services	100.00%	100.00%	Altufievskoe sh.,1, Building 1, Moscow, Russia, 125167
CJSC West Bridge	Financial services	96.36%	96.36%	Leningradsky pr.,37A, Building 14, Moscow, Russia, 125167
LLC FinTransLeasing	Leasing	90.97%	72.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
LLC FinanceBusinessGroup	Leasing	90.97%	72.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
LLC FinTransGroup	Leasing	94.97%	76.00%	Novaya Basmanaya st., 37A, Moscow, Russia, 105066
LLC LeasingActive	Leasing	94.98%	–	Argunovskaya st., 3, Building 2, Moscow, Russia, 129075
LLC FinanceLeasing	Leasing	94.98%	–	Argunovskaya st., 3, Building 2, Moscow, Russia, 129075
CJSC TCB Capital	Financial services	–	51.00%	Znamenka st., 7/3, Moscow, 119019
LLC TCB Capital	Financial services	–	51.00%	Znamenka st., 7/3, Moscow, 119019

In March 2011, the Group established leasing companies LLC LeasingActive and LLC FinanceLeasing.

In September 2011 the Group obtained 19% in LLC FinanceBusinessGroup, LLC FinTransLeasing and LLC FinTransGroup for cash consideration of Rbth 61,071 , 143,755 and 16,087 respectively.

(in thousands of Russian Roubles, unless otherwise indicated)

## 2. Basis of Preparation (continued)

### Subsidiaries (continued)

On 6 June 2011 the Group sold its share in CJSC TCB Capital (408,000,000 shares, or 51%) to a third party at the price of 1 Rouble per share for the total amount of Rbth 408,000 and recognized a loss on this sale of Rbth 26,732. The assets and liabilities of the disposed subsidiary at the date of the sale were as follows:

	<b>Assets and liabilities at the date of disposal</b>
<b>CJSC TCB Capital</b>	
Cash and cash equivalents	1,539,104
Trading securities	1,350,438
Trading securities pledged under repurchase agreements	310,813
Amounts due from credit institutions	204,074
Derivative financial assets	594,166
Loans to customers	1,093,239
Deferred tax assets	148
Property and equipment	38,606
Intangible assets	106
Other assets	375,974
<b>Total assets</b>	<b>5,506,668</b>
Amounts due to credit institutions	87,497
Derivative financial liabilities	1,051,398
Amounts due to customers	1,768,435
Deferred tax liabilities	10,770
Other liabilities	1,736,152
<b>Total liabilities</b>	<b>4,654,252</b>
Net assets	852,416
Less: non-controlling interest	(417,684)
<b>Net assets transferred</b>	<b>434,732</b>
<b>Purchase consideration received</b>	<b>408,000</b>
Loss from disposal of subsidiary	(26,732)

## 3. Cash and Cash Equivalents

Cash and cash equivalents include:

	<i>30 September</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>2010</i>
Cash on hand	8,546,593	12,089,703
Accounts with the Central Bank	4,384,697	15,752,317
Current accounts and overnight deposits with other banks	2,098,532	3,959,963
Settlement account with trade systems	804,570	3,205,594
<b>Cash and cash equivalents</b>	<b>15,834,392</b>	<b>35,007,577</b>

As at 30 September 2011, Rbth 1,354,265 was placed on current accounts with seven internationally recognized OECD banks, that are the main counterparties of the Group in performing international settlements (as at 31 December 2010: eight, Rbth 3,528,480).

As at 30 September 2011 and 31 December 2010, settlement account with trade systems include amounts transferred to clearing companies CJSC National Clearing Center, CJSC Clearing Center RTS. The transferred amounts secure the Group's ability of trading on the open market.

Current accounts with the Central Bank include amounts used for daily settlements and other activities. Cash on hand includes principally cash in the Group's cash vaults as well as in automated teller machines.

(in thousands of Russian Roubles, unless otherwise indicated)

#### 4. Trading Securities

Trading securities owned comprise:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Russian state bonds	33,515,011	31,443,268
Corporate bonds	15,954,876	16,925,557
Corporate eurobonds	1,590,695	4,640,101
Corporate shares	1,487,039	3,419,539
Bonds of local and regional governments	15,863	1,536,232
<b>Trading securities</b>	<b><u>52,563,484</u></b>	<b><u>57,964,697</u></b>

Trading securities pledged under sale and repurchase agreements comprise:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Russian state bonds	2,108,769	-
Corporate shares	-	395,194
<b>Trading securities pledged under sale and repurchase agreements</b>	<b><u>2,108,769</u></b>	<b><u>395,194</u></b>

As at 30 September 2011 and 31 December 2010, Russian state bonds include Federal loan bonds (OFZ). OFZ are Rouble denominated Government securities issued and guaranteed by the Ministry of Finance of the Russian Federation.

As at 30 September 2011, corporate bonds represent bonds of leading Russian companies and related parties of the Group.

As at 30 September 2011, corporate shares primarily include ordinary shares of Novorossiysk Commercial Sea Port of Rbth 1,474,296 (as at 31 December 2010: Rbth 2,010,513).

#### 5. Amounts due from Credit Institutions

Amounts due from credit institutions comprise:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Time deposits and loans	3,862,581	56,249,948
Reverse repurchase agreements with other banks	-	8,438,613
	<b>3,862,581</b>	<b>64,688,561</b>
Less - allowance for impairment	(4,073)	-
<b>Amounts due from credit institutions</b>	<b><u>3,858,508</u></b>	<b><u>64,688,561</u></b>

As at 30 September 2011, time deposits and loans are mainly represented by deposits with four OECD banks totalling Rbth 3,673,028, bearing interest rates ranging from 0.03% to 0.11% p.a. and maturing in October 2011 - March 2012 (as at 31 December 2010: Rbth 602,705 with an OECD bank, Rbth 55,004,521 with the Central Bank).

(in thousands of Russian Roubles, unless otherwise indicated)

## 6. Loans to Customers

Loans to customers comprise:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Loans to corporate customers		
Term loans	232,665,814	120,658,330
Net investment in leases	21,461,907	20,196,485
Factoring	6,860,242	4,322,511
Letters of credit	2,879,314	2,606,942
Reverse repurchase agreements	-	1,979,076
	<b>263,867,277</b>	<b>149,763,344</b>
Loans to individuals		
Consumer loans to employees of JSC "RZhD"	39,804,527	22,304,325
Mortgage loans to employees of JSC "RZhD"	27,912,969	26,786,034
Other consumer loans	5,387,108	4,999,286
Other mortgage loans	5,525,168	6,429,143
Car loans	120,790	192,073
Other loans	9,064,462	5,358,820
	<b>87,815,024</b>	<b>66,069,681</b>
	<b>351,682,301</b>	<b>215,833,025</b>
Less – allowance for loan impairment	(14,538,960)	(11,946,557)
<b>Loans to customers</b>	<b>337,143,341</b>	<b>203,886,468</b>

### Concentration risk

As at 30 September 2011, the Group had a concentration of loans of Rbth 15,727,396 or 4.47% of total gross loan portfolio extended to JSC "RZhD" and its related parties (as at 31 December 2010: Rbth 18,217,700 or 8%). As at 30 September 2011, the Group also had a significant concentration of loans to employees of JSC "RZhD" of Rbth 67,717,496 or 19.26% of total gross loan portfolio (as at 31 December 2010: Rbth 49,090,359 or 23%).

As at 30 September 2011, the Group had a concentration of loans represented by Rbth 62,846,513 or 17.87% of total gross loan portfolio due from ten largest groups of borrowers other than JSC "RZhD" and its related parties (as at 31 December 2010: Rbth 40,352,731 or 19%).

The Group's loan portfolio has been extended to the following types of customers:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Privately owned companies	209,281,536	105,834,139
Individuals	87,815,024	66,069,681
State owned and state-controlled companies	54,585,741	43,929,205
<b>Gross loan portfolio</b>	<b>351,682,301</b>	<b>215,833,025</b>

(in thousands of Russian Roubles, unless otherwise indicated)

## 6. Loans to Customers (continued)

### Net investment in leases

As at 30 September 2011 and at 31 December 2010, net investment in leases resulting from the finance lease agreements entered by the Group as a lessor through its subsidiaries comprises:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Gross investment in leases	37,339,088	36,570,054
Less – unearned finance income	<u>(15,877,181)</u>	<u>(16,373,569)</u>
<b>Net investment in leases</b>	<b>21,461,907</b>	<b>20,196,485</b>
Less – allowance for impairment	<u>(810,015)</u>	<u>(765,713)</u>
<b>Net investment in leases, net of allowance</b>	<b><u>20,651,892</u></b>	<b><u>19,430,772</u></b>

As at 30 September 2011 a concentration of net investment in four largest Russian lessees comprised Rbth 11,705,969 or 54.5% of aggregated net investment in leases before allowance for impairment (as at 31 December 2010: four largest Russian lessees, Rbth 12,482,293 or 62%).

As at 30 September 2011 and 31 December 2010, gross investment in leases is payable to the Group in the following currencies:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
RUR	34,563,276	33,682,342
EUR	<u>2,775,812</u>	<u>2,887,712</u>
<b>Gross investment in leases</b>	<b><u>37,339,088</u></b>	<b><u>36,570,054</u></b>

The analysis of finance lease receivables by maturity at 30 September 2011 is as follows:

	<i>Not later than 1 year</i>	<i>Later than 1 year and not later than 5 years</i>	<i>Later than 5 years</i>
Gross investment in finance leases	6,057,735	19,632,537	11,648,816
Unearned future finance income on finance leases	<u>(528,783)</u>	<u>(7,424,294)</u>	<u>(7,924,104)</u>
<b>Net investment in finance leases</b>	<b><u>5,528,952</u></b>	<b><u>12,208,243</u></b>	<b><u>3,724,712</u></b>

The analysis of finance lease receivables by maturity at 31 December 2010 is as follows:

	<i>Not later than 1 year</i>	<i>Later than 1 year and not later than 5 years</i>	<i>Later than 5 years</i>
Gross investment in finance leases	5,399,359	18,425,521	12,745,174
Unearned future finance income on finance leases	<u>(484,481)</u>	<u>(7,128,812)</u>	<u>(8,760,276)</u>
<b>Net investment in finance leases</b>	<b><u>4,914,878</u></b>	<b><u>11,296,709</u></b>	<b><u>3,984,898</u></b>

As discussed above, the majority of loans to individuals comprise consumer and mortgage loans issued to employees of JSC “RZhD”. The Group extends these loans under programs of consumer and mortgage lending to employees of JSC “RZhD”. According to the programs’ terms, the Group extends consumer loans to employees of JSC “RZhD” with maturity from six to 60 months and mortgage loans with maturity from one to 25 years. The consumer loans are unsecured and are provided to employees having salary accounts with the Group, and the Group has a right to debit the borrowers’ salary accounts to ensure collection according to contractual schedules. The mortgage loans are secured by the respective assets or by a direct guarantee of JSC “RZhD” or its related parties. Under the mortgage program’s terms, JSC “RZhD” may subsidise interest payment to its employees.

(in thousands of Russian Roubles, unless otherwise indicated)

## 6. Loans to Customers (continued)

Loans to customers are made principally within Russia to the following sectors:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Individuals	87,815,024	66,069,681
Railway and other transportation	73,970,080	35,827,397
Construction	47,251,213	16,177,171
Manufacturing	45,330,234	28,670,644
Trading	38,965,739	35,005,894
Financial services	12,918,557	4,695,050
Energy	11,716,923	17,194,582
Leasing companies	9,874,066	493,041
Telecom	6,403,252	3,532,405
Food industry	3,293,075	3,977,120
Pharmacy	2,129,309	692,153
Real estate	1,780,191	2,951
Metallurgy	758,251	947,812
Local authorities	-	880,000
Other	9,476,387	1,667,124
	<b>351,682,301</b>	<b>215,833,025</b>

The movements in allowance for impairment of loans to customers were as follows:

	<i>2011</i>	<i>2010</i>
<b>1 January</b>	<b>11,946,557</b>	<b>11,552,960</b>
Charge	2,625,300	1,767,499
Amounts written off	(32,897)	(64,109)
<b>30 September (unaudited)</b>	<b>14,538,960</b>	<b>13,256,350</b>

## 7. Investment Securities

Available-for-sale securities comprise:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Corporate shares and units in mutual funds	977,191	4,882,795
Corporate eurobonds	712,973	674,470
Corporate bonds	6,912	408,263
<b>Available-for-sale securities</b>	<b>1,697,076</b>	<b>5,965,528</b>

As at 30 September 2011, corporate shares and units in mutual funds mainly represent shares of leading Russian companies involved in railway transportation, financial and other services (as at 31 December 2010: companies involved financial, railway transportation, manufacturing and energy industries). As of 30 September 2011, investments in one closed mutual fund amounted to Rbth 305,237 (as at 31 December 2010: investments in two closed mutual funds amounted to Rbth 3,814,883).

As at 30 September 2011 and 31 December 2010, corporate eurobonds and corporate bonds are mainly represented by bonds issued by a related party of the Group.

(in thousands of Russian Roubles, unless otherwise indicated)

## 7. Investment Securities (continued)

Investment securities held-to-maturity comprise:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Bonds of local governments	1,020,594	2,120,191
Corporate bonds	487,231	491,036
Corporate eurobonds	37,158	37,910
	<b>1,544,983</b>	<b>2,649,137</b>
Less – allowance for impairment	(494,859)	(523,254)
<b>Investment securities held-to-maturity</b>	<b>1,050,124</b>	<b>2,125,883</b>

The movements in allowance for impairment of investment securities were as follows:

	<i>2011</i>	<i>2010</i>
<b>January 1</b>	<b>523,254</b>	<b>773,407</b>
Recovery	(28,395)	(105,055)
Amounts written off	–	(98,887)
<b>September 30 (unaudited)</b>	<b>494,859</b>	<b>569,465</b>

## 8. Venture capital investments

As at 30 September 2011, the Group held venture capital investments in LLC “Integrirovannaya Vagonostroitel'naya Company” with a fair value of Rbth 1,645,000 (31 December 2010: Rbth 1,645,000 and Rbth 356,470 in JSC “Torgovy dom RZhD”).

On 29 June 2011, the Group signed a sales agreement for venture capital investments in JSC “Torgovy dom RZhD”. Under the agreement the Group received Rbth 352,783 for 25.03% share in JSC “Torgovy dom RZhD” on 29 June 2011 and transferred its holding of shares on 4 July 2011.

As of 30 September 2011, the Group applied an exemption to IAS 28 *Investments in associates* and treated the above investments in associates as those held by venture capital organizations, and measured them at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

As at 30 June 2011, the Group employed an independent appraiser for fair value assessment of venture capital investments in LLC “Integrirovannaya Vagonostroitel'naya Company”. The Group’s management believe that no changes have occurred for the three months period ended 30 September 2011 that could have material impact on the fair value of venture capital investments.

The independent appraiser used the following assumptions:

- owing to excess of actual revenue over planned in January - May 2011 sales of JSC “PO “Bezhickaya stal” are anticipated to increase by 15.3% in 2011 year;
- annual profitability before tax and interest of JSC “PO “Bezhickaya stal” will reach 26.7% in 2014 and annual revenue of the company will increase by 51.6% in 2012, 10.4% in 2013, 17.4% and 6.4% in 2014 and 2015, respectively, owing to opening of new production capacities, capital re-equipment and decrease in production costs;
- annual growth of revenue of JSC “Transmash” will continue and in 2011 year will reach 116.5% owing to increase in the amount of output and number of purchase orders, full capacity utilization and penetration into new markets;
- annual profitability of JSC “Transmash” will increase to 17.5% in 2011, and will reach a constant level of 13.4% in 2012-2015 years.

(in thousands of Russian Roubles, unless otherwise indicated)

## 8. Venture capital investments (continued)

The Group met the following conditions required to apply the exemption to IAS 28 *Investments in associates*:

- There is a special department performing venture capital transactions in the Group's structure.
- The Group implemented special venture investment governance through internal policy and strategy for risk management connected to venture investments. According to the internal policy, the main measurement for the risk of venture investments is fair value. The Group's management is to be provided with the independent appraiser report for decision making, and on a quarterly basis they should receive an internal report about the current fair value for each venture investment. On a semi-annual basis the Group should employ an independent appraiser to reassess the venture investments fair value.

## 9. Amounts due to Credit Institutions

Amounts due to credit institutions comprise:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Time deposits and loans	55,064,206	12,909,443
Import letters of credit	3,251,026	3,024,408
Sale and repurchase agreements	2,000,000	–
Current accounts	107,532	117,870
<b>Amounts due to credit institutions</b>	<b>60,422,764</b>	<b>16,051,721</b>

As at 30 September 2011, time deposits and loans due to credit institutions include loans of Rbth 2,794,974 obtained from OECD banks to finance export-import projects of the Group's clients (as at 31 December 2010: Rbth 3,112,300). Interest rates on these loans are within the range of Euribor plus 0.3% - 0.55% and Libor plus 0.2% - 1.4% p.a., maturing within four years (as at 31 December 2010: from 0.3% to 0.5% p. a., maturing within five years).

As at 30 September 2011, the Group received short-term loans amounting to Rbth 52,269,232 from Russian banks (as at 31 December 2010: Rbth 9,797,143) bearing interest from 0.45% to 5.5% p.a. and maturing during six months (as at 31 December 2010: from 0.6% to 2.95% p.a., maturing during one month).

As at 30 September 2011, the Group entered into sale and repurchase agreement with a Russian bank. The subject of this agreement are OFZ bonds with a fair value of Rbth 2,108,769.

As at 30 September 2011 and 31 December 2010, part of the amounts due to credit institutions were received from the related parties of the Group (Note 20).

## 10. Other Borrowed Funds

Other borrowed funds comprise syndicated loans received by the Group.

As at 30 September 2011, other borrowed funds include a syndicated unsecured loan of Rbth 10,187,841 (as at 31 December 2010: Rbth 9,835,057) obtained in October 2010 from OECD banks, Russian banks and an OECD company for general corporate working capital purposes. The loan bears interest at 3 month LIBOR plus 2.75% p.a. and with maturity within two years.

The Group shall at all times maintain the following covenants:

- a Capital Adequacy Ratio at a minimum of 10% or such higher percentage as may be required by the Bank for International Settlements at any time;
- a Russian Capital Adequacy Ratio at a minimum of 10% or such higher percentage as may be required by the Central Bank of the Russian Federation at any time;
- an aggregate Tier 1 Capital of not less than Rbth 16,000,000;
- a Single borrower concentration of not more than 10% of the Group's Total Assets;
- a ratio of the Group's Net Equity to the Group's Risk Weighted Assets of not less than 5%; and
- a ratio of the Loan Loss Provisions to the Non-Performing Loans of not less than 100%.

As at 30 September 2011, the Group canceled a cross currency interest rate swap, which was previously designated as a cash flow hedge of the syndicated loan, and received a termination fee amounting to Rbth 472,440.

(in thousands of Russian Roubles, unless otherwise indicated)

## 11. Amounts due to Customers

Amounts due to customers comprise:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
<b>State and public organizations</b>		
Time deposits	107,493,489	115,266,496
Current accounts	28,775,737	27,068,805
<b>Other legal entities</b>		
Time deposits	40,347,303	44,547,691
Current accounts	27,840,898	26,941,298
<b>Individuals</b>		
Time deposits	47,908,433	36,555,765
Current accounts	31,316,515	26,100,685
<b>Amounts due to customers</b>	<b><u>283,682,375</u></b>	<b><u>276,480,740</u></b>

As at 30 September 2011, the Group has received significant funds equal to Rbth 91,314,983 or 32% of total amounts due to customers (as at 31 December 2010: Rbth 134,388,154 or 48.6%) from JSC "RZhD" and its related parties excluding other state owned entities. Any significant withdrawal of these funds would have an adverse impact on the operations of the Group.

Management believes that the current level of funding will remain with the Group for the foreseeable future and that in the event of withdrawal of the funds, the Group would be given sufficient notice so as to liquidate its cash, interbank deposits and trading assets to enable repayment.

In accordance with the Russian Civil Code, the Group is obliged to repay time deposits of individuals upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

As at 30 September 2011, customer accounts amounting to Rbth 2,248,064 (as at 31 December 2010: Rbth 2,257,247) were held as collateral against letters of credit and guarantees.

## 12. Debt Securities Issued

Debt securities issued consist of the following:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Bonds issued	19,292,287	27,254,432
Promissory notes	2,519,342	2,924,121
Loan participation notes	–	9,958,972
<b>Debt securities issued</b>	<b><u>21,811,629</u></b>	<b><u>40,137,525</u></b>

As at 30 September 2011, the Group had issued interest-bearing promissory notes in the amount of Rbth 2,508,042 (as at 31 December 2010: Rbth 2,382,241), with interest rates ranging from 2.5% - 10.9% p.a., maturing primarily within one year (as at 31 December 2010: from 7.8% to 14% p.a., maturing primarily within two years) and non-interest-bearing promissory notes of Rbth 11,300 maturing on demand (as at 31 December 2010: Rbth 541,880).

In July 2011 the Group redeemed its rouble-denominated bonds Series 3 amounting to Rbth 5,000,000 upon maturity.

In June 2011 LLC FinanceBusinessGroup, the subsidiary of the Bank, redeemed its rouble-denominated bonds Series 2 amounting to Rbth 3,000,000 upon maturity.

In June 2011 the Group redeemed its Loan Participation Notes in the amount of USD 350,000,000 upon maturity.

(in thousands of Russian Roubles, unless otherwise indicated)

### 13. Equity

As at 30 September 2011 and 31 December 2010, authorized share capital of the Bank consists of 2,286,602,112 common shares with a nominal value of Rouble 1 per share and 1,000 preference shares with a nominal value of Rouble 100 per share. Preference shares are non-voting and guarantee annual dividends not less than 400% of nominal value of shares upon decision of shareholders.

The share capital of the Bank was contributed by the shareholders in Russian Roubles and they are entitled to dividends and any capital distribution in Russian Roubles.

The number of shares issued and fully paid, net of treasury shares, comprises:

	<i>Number of shares</i>		<i>Nominal value of shares</i>		<i>Carrying value</i>
	<i>Common</i>	<i>Preference</i>	<i>Common</i>	<i>Preference</i>	
At 1 January 2010	2,273,913,244	1,000	2,273,913	100	3,989,208
Sale of treasury shares	410,000	-	410	-	410
<b>At 30 September 2010 (unaudited)</b>	<b>2,274,323,244</b>	<b>1,000</b>	<b>2,274,323</b>	<b>100</b>	<b>3,989,618</b>
<b>At 1 January 2011 and 30 September 2011 (unaudited)</b>	<b>2,286,602,112</b>	<b>1,000</b>	<b>2,286,602</b>	<b>100</b>	<b>4,001,897</b>

In accordance with Russian legislation, dividends are declared from net profit for the year shown in the Group's financial statements prepared in accordance with Russian accounting legislation upon decisions taken on the General Meetings of Shareholders.

At the Annual General Meeting of Shareholders in June 2011 the Bank declared and paid annual dividends in respect of the year ended 31 December 2010, amounting to Rbth 400 on preference shares (Rouble 400 per preference share).

### 14. Salaries and Other Employee Benefits and Administrative Expenses

Salaries and salary related expenses, administrative expenses comprise:

	<b>For the nine months ended 30 September (unaudited)</b>	
	<b>2011</b>	<b>2010</b>
Salaries and bonuses	4,448,120	3,442,797
Social security costs	889,630	522,794
Other compensation to employees	199,961	160,118
<b>Total salaries and other employee benefits</b>	<b>5,537,711</b>	<b>4,125,709</b>
Operating taxes	934,024	537,888
Operating lease expenses	502,822	374,566
Occupancy	370,472	256,082
Security	317,715	277,180
Communications and information technologies	221,900	280,955
Professional fees	209,532	147,434
Materials and stationery write-offs	183,632	140,822
Computer software maintenance	166,616	103,614
Advertising expenses	120,839	64,071
Insurance related expense	102,782	78,143
Business travel expenses	49,282	28,367
Compensations for mutual funds management companies	39,490	38,217
Charity	39,410	70,566
Other	251,685	335,009
<b>Total administrative expenses</b>	<b>3,510,201</b>	<b>2,732,914</b>

(in thousands of Russian Roubles, unless otherwise indicated)

## 15. Taxation

The corporate income tax expense for nine months ended 30 September 2011 and 2010 comprise:

	<b>For the nine months ended 30 September (unaudited)</b>	
	<b>2011</b>	<b>2010</b>
Current tax expense	1,722,120	1,073,428
Adjustment of current tax income tax of prior periods	22,996	(14,618)
Deferred tax charge (benefit)	(477,738)	493,125
Less – deferred tax recognized directly in other comprehensive income	20,362	(47,163)
<b>Income tax expense</b>	<b>1,287,740</b>	<b>1,504,772</b>

Russian legal entities must file individual tax declarations. The tax rate for banks for profits other than on state, municipal and certain other types of securities was 20% for 2011 (2010: 20%). The tax rate for companies other than banks was also 20% for 2011 (2010: 20%). The tax rate for interest income on state, municipal and certain other types of securities was 15%, 9% and 0% (2010: 15%, 9% and 0%). The tax rate on dividends was 9% (2010: 9%).

The net deferred tax assets and net deferred tax liabilities are attributable to different legal entities within the Group and can not be offset.

The current tax assets are comprised of various prepayments of income tax, which can be offset against future current tax liabilities.

## 16. Liquidity Risk Management

The liquidity position is assessed and managed on each entity standalone basis; for banking entities, particularly, based on certain liquidity ratios established by the CBR. As at 30 September 2011 and 31 December 2010 these ratios in respect of JSC “TransCreditBank” were as follows:

	<b>30 September 2011, % (unaudited)</b>	<b>31 December 2010, %</b>
	N2 “Instant Liquidity Ratio” (assets receivable or realizable within one day / liabilities repayable on demand, minimum of 15%)	53.41
N3 “Current Liquidity Ratio” (assets receivable or realizable within 30 days / liabilities repayable within 30 days, minimum of 50%)	55.35	79.2
N4 “Long-Term Liquidity Ratio” (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year, maximum of 120%)	115.11	93.6

(in thousands of Russian Roubles, unless otherwise indicated)

## 17. Fair Values of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>At 30 September 2011 (unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><i>Financial assets</i></b>				
Derivative financial instruments	–	2,322,285	39,038	2,361,323
Trading securities	52,563,484	–	–	52,563,484
Trading securities pledged under repurchase agreements	2,108,769	–	–	2,108,769
Investment securities – available-for-sale	288,452	–	1,408,624	1,697,076
Venture capital investments	–	–	1,645,000	1,645,000
	<u>54,960,705</u>	<u>2,322,285</u>	<u>3,092,662</u>	<u>60,375,652</u>
<b><i>Financial liabilities</i></b>				
Derivative financial instruments	–	514,549	–	514,549
	<u>–</u>	<u>514,549</u>	<u>–</u>	<u>514,549</u>
<i>At 31 December 2010</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b><i>Financial assets</i></b>				
Derivative financial instruments	129,529	2,522,488	22,176	2,674,193
Trading securities	57,283,620	–	681,077	57,964,697
Trading securities pledged under repurchase agreements	395,194	–	–	395,194
Investment securities – available-for-sale	533,766	–	5,431,762	5,965,528
Venture capital investments	–	–	2,001,470	2,001,470
	<u>58,342,109</u>	<u>2,522,488</u>	<u>8,136,485</u>	<u>69,001,082</u>
<b><i>Financial liabilities</i></b>				
Derivative financial instruments	451,567	146,215	–	597,782
Financial liabilities at fair value through profit or loss	624,167	–	–	624,167
	<u>1,075,734</u>	<u>146,215</u>	<u>–</u>	<u>1,221,949</u>

During the nine months ended 30 September 2011, the Group transferred certain financial instruments available-for-sale and trading securities from Level 3 to Level 1 of the fair value hierarchy. The carrying amount of the total assets transferred was Rbth 301,006 and 4,220 respectively. The cumulative unrealised loss at the time of the transfer of financial instruments available-for-sale was Rbth 95,468 and the unrealised loss at the time of the transfer of trading securities was Rbth 86. The reason for the transfer from Level 3 to Level 1 is that the market for these securities has become active. Since the transfer date these instruments have been valued using quoted prices in an active market for identical assets.

During the nine months ended 30 September 2011, the Group transferred certain financial instruments available-for-sale and trading securities from Level 1 to Level 3 of the fair value hierarchy. The carrying amount of the total assets transferred was Rbth 4,870 and 7,352 respectively. The cumulative unrealised loss at the time of transfer of financial instruments available-for-sale was Rbth 221 and the unrealised loss at the time of the transfer of trading securities was Rbth 94. The reason for the transfer from Level 1 to Level 3 is that the market for transferred securities has become inactive, which has led to a change in the method used to determine fair value.

There have been no transfers between Level 1 and Level 2 during the nine months ended 30 September 2011.

(in thousands of Russian Roubles, unless otherwise indicated)

## 18. Maturity Analysis of Financial Assets and Liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	30 September 2011 (unaudited)		
	Within one year	More than one year	Total
<b>Financial assets</b>			
Cash and cash equivalents	15,834,392	–	15,834,392
Obligatory reserve with the Central Bank	3,920,033	233,743	4,153,776
Trading securities	52,563,484	–	52,563,484
Trading securities pledged under repurchase agreements	2,108,769	–	2,108,769
Amounts due from credit institutions	3,693,134	165,374	3,858,508
Derivative financial assets	2,361,323	–	2,361,323
Loans to customers	148,039,066	189,104,275	337,143,341
Investment securities:			
- available-for-sale	288,452	1,408,624	1,697,076
- held-to-maturity	207,544	842,580	1,050,124
Venture capital investments	–	1,645,000	1,645,000
Other assets	3,894,561	821	3,895,382
	<b>232,910,758</b>	<b>193,400,417</b>	<b>426,311,175</b>
<b>Financial liabilities</b>			
Amounts due to credit institutions	57,432,317	2,990,447	60,422,764
Other borrowed funds	–	10,187,841	10,187,841
Derivative financial liabilities	514,549	–	514,549
Amounts due to customers	267,718,898	15,963,477	283,682,375
Debt securities issued	4,749,087	17,062,542	21,811,629
Subordinated debt	–	25,453,586	25,453,586
Other liabilities	1,802,774	13,965	1,816,739
	<b>332,217,625</b>	<b>71,671,858</b>	<b>403,889,483</b>
<b>Net</b>	<b>(99,306,867)</b>	<b>121,728,559</b>	<b>22,421,692</b>
	31 December 2010		
	Within one year	More than one year	Total
<b>Financial assets</b>			
Cash and cash equivalents	35,007,577	–	35,007,577
Obligatory reserve with the Central Bank	1,668,040	235,964	1,904,004
Trading securities	57,283,620	681,077	57,964,697
Trading securities pledged under repurchase agreements	395,194	–	395,194
Amounts due from credit institutions	64,523,187	165,374	64,688,561
Derivative financial assets	2,674,193	–	2,674,193
Loans to customers	92,891,305	110,995,163	203,886,468
Investment securities:			
- available-for-sale	533,766	5,431,762	5,965,528
- held-to-maturity	869,533	1,256,350	2,125,883
Venture capital investments	–	2,001,470	2,001,470
Other assets	5,102,615	77,903	5,180,518
	<b>260,949,030</b>	<b>120,845,063</b>	<b>381,794,093</b>
<b>Financial liabilities</b>			
Amounts due to credit institutions	12,805,466	3,246,255	16,051,721
Other borrowed funds	–	9,835,057	9,835,057
Derivative financial liabilities	597,782	–	597,782
Financial liabilities at fair value through profit or loss	624,167	–	624,167
Amounts due to customers	242,216,396	34,264,344	276,480,740
Debt securities issued	19,306,739	20,830,786	40,137,525
Subordinated debt	3,038	15,996,734	15,999,772
Other liabilities	2,090,564	149,041	2,239,605
	<b>277,644,152</b>	<b>84,322,217</b>	<b>361,966,369</b>
<b>Net</b>	<b>(16,695,122)</b>	<b>36,522,846</b>	<b>19,827,724</b>

Obligatory reserves are split pro rata amounts due to customers. Trading securities and securities available for sale are disclosed as maturing within one year as these instruments are believed to be highly liquid and realizable on the market at any time if required, except for the instruments included in Level 3 for fair value determination purposes.

(in thousands of Russian Roubles, unless otherwise indicated)

## 19. Segment Information

For management purposes, the Group is organised into four operating segments:

Corporate banking	Deposit taking from and lending to corporate clients, leasing, factoring, settlements, guarantees, letters of credit, cash collection, foreign exchange and other services provided to corporate customers.
Treasury	Debt and equity capital markets and money markets transactions, trading and brokerage in securities, repurchase, syndications and derivative transactions.
Retail banking	Deposit taking from and lending to individual customers, money transfer and foreign exchange, settlements, a range of banking card products provided to individual customers.
General management	General management and liquidity management functions.

No operating segments have been aggregated to form the above reportable operating segments.

All assets and liabilities of operating segments are subject to mandatory placement/funding through the internal funding system, which results in internal funding charges related to such placement/funding. Such charges are calculated using internal rates, which are based on current market borrowing rates.

The Group does not report on segment assets and segment liabilities as such information is not provided to and reviewed by the Group's Management Board.

The following tables represent income and profit information regarding the Group's operating segments for the nine-months ended 30 September 2011 and 30 September 2010, respectively:

<i>30 September 2011 (unaudited)</i>	<i>Corporate banking</i>	<i>Treasury</i>	<i>Retail banking</i>	<i>General management</i>	<i>Total</i>	<i>Reclassification of the overhead expenses for the management purposes</i>	<i>Total</i>
<i>External income</i>	<b>12,642,204</b>	<b>405,603</b>	<b>6,505,721</b>	<b>(1,089,469)</b>	<b>18,464,059</b>	–	<b>18,464,059</b>
Allowance for loan impairment	(1,171,583)	82,442	17,052	(1,528,889)	(2,600,978)	–	(2,600,978)
Internal transfers	(3,809,876)	1,441,693	(1,594,546)	3,962,729	–	–	–
<b>Net income from banking activity</b>	<b>7,660,745</b>	<b>1,929,738</b>	<b>4,928,227</b>	<b>1,344,371</b>	<b>15,863,081</b>	–	<b>15,863,081</b>
Administrative expenses	(2,638,968)	(517,311)	(3,552,446)	(2,872,864)	(9,581,589)	–	(9,581,589)
<b>Segment profit/(loss) before income tax expense</b>	<b>5,021,777</b>	<b>1,412,427</b>	<b>1,375,781</b>	<b>(1,528,493)</b>	<b>6,281,492</b>	–	<b>6,281,492</b>
Income tax expense	(882,053)	(207,941)	(201,856)	4,110	(1,287,740)	–	(1,287,740)
<b>Profit/(loss) for the period</b>	<b>4,139,724</b>	<b>1,204,486</b>	<b>1,173,925</b>	<b>(1,524,383)</b>	<b>4,993,752</b>	–	<b>4,993,752</b>

(in thousands of Russian Roubles, unless otherwise indicated)

<i>30 September 2010 (unaudited)</i>	<i>Corporate banking</i>	<i>Treasury</i>	<i>Retail banking</i>	<i>General management</i>	<i>Total for segments</i>	<i>Reclassification of the overhead expenses for the management purposes</i>	<i>Total</i>
<i>External income</i>	8,423,254	2,387,223	5,564,249	(926,713)	15,448,013	365,426	15,813,439
Allowance for loan impairment	(1,159,835)	362,581	(607,204)	(222,556)	(1,627,014)	–	(1,627,014)
Internal transfers	(865,257)	1,463,554	(1,556,093)	957,796	–	–	–
<b>Net income from banking activity</b>	<b>6,398,162</b>	<b>4,213,358</b>	<b>3,400,952</b>	<b>(191,473)</b>	<b>13,820,999</b>	<b>365,426</b>	<b>14,186,425</b>
Non-interest expenses	(2,788,208)	(320,187)	(2,563,943)	(1,423,919)	(7,096,257)	(365,426)	(7,461,683)
<b>Segment profit/(loss) before income tax expense</b>	<b>3,609,954</b>	<b>3,893,171</b>	<b>837,009</b>	<b>(1,615,392)</b>	<b>6,724,742</b>	<b>–</b>	<b>6,724,742</b>
Income tax expense	(764,142)	(634,471)	(216,897)	110,738	(1,504,772)	–	(1,504,772)
<b>Profit/(loss) for the period</b>	<b>2,845,812</b>	<b>3,258,700</b>	<b>620,112</b>	<b>(1,504,654)</b>	<b>5,219,970</b>	<b>–</b>	<b>5,219,970</b>

Segment information disclosed above was prepared and provided for the management purposes on the basis of IFRS information.

## 20. Related Party Transactions

Related parties of the Group include counterparties that represent significant shareholders; members of Board of Directors, Management Board; companies with which the Bank or management has significant shareholders in common; enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by shareholders of the Group or by individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(in thousands of Russian Roubles, unless otherwise indicated)

As at 30 September 2011 the Group had the following transactions with related parties:

	30 September 2011 (unaudited)						
	VTB Bank and its related parties	JSC RZbD and its related parties	State controlled entities other than RZbD and VTB Bank	Entities under significant influence of the state	Key management personnel	Associates	Other
<b>Trading securities</b>	-	11,184,812	34,808,895	1,661,475	-	-	-
<b>Trading securities pledged under repurchase agreements</b>	-	-	2,108,769	-	-	-	-
<b>Venture capital investments</b>	-	-	-	-	-	1,645,000	-
Loans outstanding at 1 January 2011	96,588	18,217,700	25,614,917	1,377,002	175,847	1,456,456	-
Loans issued during the period	24,500,000	35,299,733	69,579,601	8,950,159	45,874	580,136	-
Loans repayments during the period	(19,596,588)	(37,790,037)	(61,336,173)	(3,371,527)	(190,455)	(798,095)	-
<b>Loans outstanding at 30 September 2011</b>	<b>5,000,000</b>	<b>15,727,396</b>	<b>33,858,345</b>	<b>6,955,634</b>	<b>31,266</b>	<b>1,238,497</b>	-
Less: allowance for impairment at 30 September 2011	-	(230,896)	(2,382,310)	(77,210)	(25)	(289,744)	-
<b>Loans outstanding at 30 September 2011</b>	<b>5,000,000</b>	<b>15,496,500</b>	<b>31,476,035</b>	<b>6,878,424</b>	<b>31,241</b>	<b>948,753</b>	-
<b>Available-for-sale securities</b>	-	1,558,824	-	-	-	-	-
Held-to-maturity securities	-	37,158	1,020,594	-	-	-	-
Less: allowance for impairment	-	-	(7,628)	-	-	-	-
<b>Held-to-maturity securities, net of allowance</b>	-	<b>37,158</b>	<b>1,012,966</b>	-	-	-	-
Deposits at 1 January 2011	-	108,991,916	6,274,580	2,255,000	2,177,549	32,870	-
Deposits received during the period	4,926,434	1,190,942,232	92,463,836	33,000	4,760,967	-	-
Deposits repaid during the period	(4,317,028)	(1,234,714,738)	(57,073,743)	(135,000)	(6,741,426)	(32,870)	-
<b>Deposits at 30 September 2011</b>	<b>609,406</b>	<b>65,219,410</b>	<b>41,664,673</b>	<b>2,153,000</b>	<b>197,090</b>	-	-
<b>Current accounts</b>	<b>83</b>	<b>26,095,573</b>	<b>2,680,081</b>	<b>320,633</b>	<b>1,519</b>	<b>53,699</b>	-
<b>Debt securities issued</b>	-	<b>4,150,860</b>	-	-	-	-	-
<b>Subordinated debt</b>	<b>8,619,712</b>	<b>13,903,874</b>	<b>2,930,000</b>	-	-	-	-
<b>Cash and cash equivalents</b>	<b>383,268</b>	-	<b>4,400,564</b>	<b>10,424</b>	-	-	-
<b>Derivative financial assets</b>	-	<b>2,045,641</b>	-	-	-	-	-
<b>Derivative financial liabilities</b>	-	<b>31,686</b>	-	-	-	-	-
<b>Due from credit institutions</b>	-	-	<b>179,572</b>	-	-	-	-
<b>Due to credit institutions</b>	<b>44,880,181</b>	<b>5,884</b>	<b>1,000,000</b>	<b>1,593,755</b>	-	-	-
<b>Other borrowed funds</b>	<b>481,270</b>	-	-	-	-	-	-
Commitments and guarantees issued	-	5,989,892	3,628,718	1,166,307	-	-	-
Commitments and guarantees received	-	13,672,375	6,487,185	2,693,616	-	-	-
Letters of credit issued	-	495,562	363,275	20,994	-	-	-
Undrawn loan commitments	-	2,838,235	5,840,321	1,705,000	-	-	-
<i>Nine months ended 30 September 2011 (unaudited):</i>							
Interest income on loans and debt securities	299,980	1,752,216	5,495,206	368,823	4,368	31,587	44
Interest expense on deposits and debt securities issued	(426,962)	(2,860,576)	(1,139,521)	(136,440)	(175,677)	(33)	(860)
Interest expense on subordinated loans	(243,123)	(1,053,958)	(142,446)	-	-	-	-
Gains less losses from dealing in foreign currencies	554,838	299,218	(29,219)	15,798	-	-	-
Impairment of loans	-	37,390	(1,119,974)	(49,163)	60	(100,637)	-
Fee and commission income	25	1,685,765	152,931	52,108	-	5,677	7
Fee and commission expense	(108)	(6,270)	(92,472)	(5,871)	-	-	-

*(in thousands of Russian Roubles, unless otherwise indicated)*

	31 December 2010						
	<i>VTB Bank and its related parties</i>	<i>JSC RZbD and its related parties</i>	<i>State controlled entities other than RZbD and VTB Bank</i>	<i>Entities under significant influence of the state</i>	<i>Key management personnel</i>	<i>Associates</i>	<i>Other</i>
<b>Trading securities</b>	<b>1,335,956</b>	<b>2,745,605</b>	<b>42,086,029</b>	<b>70,508</b>	-	-	-
<b>Trading securities pledged under repurchase agreements</b>	-	-	<b>395,194</b>	-	-	-	-
<b>Venture capital investments</b>	-	<b>356,470</b>	-	-	-	<b>1,645,000</b>	-
Loans outstanding at 1 January 2010	-	16,894,733	20,928,422	512,038	196,318	7,891,532	335,000
Loans issued during the period	96,588	43,767,415	61,911,585	1,220,137	66,377	959,927	-
Loans repayments during the period	-	(42,444,448)	(57,225,091)	(355,173)	(86,848)	(7,395,003)	(335,000)
Loans outstanding at 31 December 2010	96,588	18,217,700	25,614,916	1,377,002	175,847	1,456,456	-
Less: allowance for impairment at 31 December 2010	-	(268,286)	(1,262,336)	(28,047)	(85)	(189,107)	-
<b>Loans outstanding at 31 December 2010</b>	<b>96,588</b>	<b>17,949,414</b>	<b>24,352,580</b>	<b>1,348,955</b>	<b>175,762</b>	<b>1,267,349</b>	-
<b>Available-for-sale securities</b>	-	<b>5,302,318</b>	<b>490,184</b>	-	-	-	-
Held-to-maturity securities	-	37,910	2,123,996	-	-	-	-
Less: allowance for impairment	-	-	(36,023)	-	-	-	-
<b>Held-to-maturity securities, net of allowance</b>	-	<b>37,910</b>	<b>2,087,973</b>	-	-	-	-
Deposits at 1 January 2010	-	43,090,513	8,311,227	459,000	1,318,170	196,905	-
Deposits received during the period	-	1,177,659,017	34,226,359	2,255,000	2,710,821	2,073,453	-
Deposits repaid during the period	-	(1,111,757,614)	(36,263,006)	(459,000)	(1,851,442)	(2,237,488)	-
<b>Deposits at 31 December 2010</b>	-	<b>108,991,916</b>	<b>6,274,580</b>	<b>2,255,000</b>	<b>2,177,549</b>	<b>32,870</b>	-
<b>Current accounts</b>	-	<b>25,396,238</b>	<b>1,672,567</b>	-	<b>98,390</b>	<b>136,889</b>	-
<b>Debt securities issued</b>	-	<b>7,093,346</b>	-	-	-	-	-
<b>Subordinated debt</b>	-	<b>13,066,734</b>	<b>2,930,000</b>	-	-	-	-
<b>Cash and cash equivalents</b>	<b>68,939</b>	<b>1,227,460</b>	<b>15,842,853</b>	-	-	-	-
<b>Derivative financial assets</b>	<b>335,511</b>	<b>1,577,375</b>	-	-	-	-	-
<b>Derivative financial liabilities</b>	-	<b>20,141</b>	-	-	-	-	-
<b>Due from credit institutions</b>	<b>457,518</b>	-	<b>55,184,087</b>	-	-	-	-
<b>Due to credit institutions</b>	<b>18</b>	<b>10,948</b>	<b>4,571,610</b>	<b>609,538</b>	-	-	<b>77</b>
Commitments and guarantees issued	-	6,803,743	1,729,844	621,315	-	143,488	-
Commitments and guarantees received	-	17,487,588	4,415,750	-	-	-	-
Letters of credit issued	-	1,361,254	78,833	11,810	-	-	-
Undrawn loan commitments	-	2,299,427	2,863,158	1,001,947	-	-	-
	<b>Nine months ended 30 September 2010 (unaudited)</b>						
Interest income on loans and debt securities	186,380	1,932,646	4,953,153	201,673	18,431	25,087	2,02
Interest expense on deposits and debt securities issued	(9,872)	(2,549,242)	(851,401)	(69,923)	(104,129)	(1,592)	(725)
Interest expense on subordinated loans	-	(1,055,679)	(170,863)	-	-	-	-
Gains less losses from dealing in foreign currencies	(190,086)	1,618,759	46,400	(31,047)	-	41	-
Impairment of loans	-	(97,869)	(464,143)	(2,862)	77	273,629	7,47
Fee and commission income	5,148	1,487,665	160,394	21,783	-	12,279	13
Fee and commission expense	(5,002)	(200)	(73,686)	(3,008)	-	-	-

*(in thousands of Russian Roubles, unless otherwise indicated)*

Trading securities are mainly represented by Russian State bonds of different issues with annual interest rates ranging from 6% to 12% p.a. with maturity primarily up to four years, by bonds issued by JSC "RZhd" companies with annual interest rates ranging from 6.9% to 7.8% p.a. and maturity primarily up to four years and shares of Novorossiysk Commercial Sea Port.

Trading securities pledged under repurchase agreements are represented by Russian State bonds with annual interest rates ranging from 6.9% to 7.0% p.a. and maturity within four years.

Available-for-sale securities are mostly represented by corporate shares issued by JSC "RZhd" companies and corporate eurobonds issued by JSC "RZhd" with annual interest rate of 5% p.a., maturing in June 2013.

Held-to-maturity securities are represented by bonds of local and regional governments with annual interest rates ranging from 7.7% to 9.3% p.a. with maturity up to three years and corporate eurobonds issued by JSC "RZhd" with annual interest rate of 12.5% p.a., maturing in June 2012.

Loans to customers are mainly represented by short-term (up to one year) loans with annual interest rates ranging from 5.0% to 15.%, which were granted to state controlled entities other than JSC "RZhd" and JSC VTB Bank (Note 6).

Deposits include current accounts and term deposits of the Group's customers. Term deposits have maturity mainly up to two months. Interest rates on such deposits range from 3.9% to 8.5% per annum.

As at 30 September 2011, subordinated debt of Rbth 25,453,586 (31 December 2010: Rbth 15,999,772) include long term time deposits of Rbth 13,903,874 (31 December 2010: Rbth 13,066,734) denominated in Russian Rubles, deposited by JSC "RZhd" and its related parties excluding other state owned entities. These deposits bear 9.0% - 12.1% p.a. and mature in 2012-2020.

As at 30 September 2011 and 31 December 2010, subordinated debt also included long term deposit of Rbth 2,930,000 denominated in Russian Rubles, deposited by State Corporation "Vnesheconombank" with interest rate at 6.5% p.a. maturing in October 2019.

As at 30 September 2011, subordinated debt also included long term deposits of Rbth 8,619,712 denominated in Russian Rubles, deposited by JSC VTB Bank with interest rate at 9% p.a. maturing in October 2021 – February 2022.

As at 30 September 2011, amounts due from credit institutions are mostly represented by purchased promissory notes issued with a discount by a Russian state Bank with maturity mainly up to four years .

As at 30 September 2011, amounts due to credit institutions are mostly represented by deposits with JSC VTB Bank, bearing an interest rates ranging from 4.88% to 5.5% and maturing in November 2011 – March 2012, deposits with a state bank bearing interest rate of 5.25% and maturing in October 2011 and deposits with a Russian bank under a significant influence of the state with interest rate of 0.45% and maturing in October 2011.

Compensation of key management personnel totalling 21 people (31 December 2010: 25) was comprised of the following:

	<i>For nine months ended</i>	
	<i>30 September 2011 (unaudited)</i>	<i>30 September 2010 (unaudited)</i>
Bonuses	424,159	356,762
Salaries	161,688	108,106
Social security costs	14,595	2,050
<b>Total key management compensation</b>	<b>600,442</b>	<b>466,918</b>

(in thousands of Russian Roubles, unless otherwise indicated)

## 21. Contingencies and Commitments

### Legal proceedings

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Financial commitments as at 30 September 2011 and 31 December 2010 comprise:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Guarantees given	50,874,258	28,893,006
Undrawn loan commitments	48,887,514	24,679,026
Letters of credit	3,379,965	4,409,651
Less: cash collateral on letters of credit and guarantees (Note 11)	(2,248,064)	(2,257,247)
<b>Credit related commitments</b>	<b>100,893,673</b>	<b>55,724,436</b>

### Operating lease commitments

In the normal course of business the Group enters into operating lease agreements for office premises and equipment. Annual lease payments under the current non-cancellable lease agreements are:

	<i>30 September</i> <i>2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Not later than 1 year	539,693	480,559
Later than 1 year but not later than 5 years	1,394,330	1,162,837
Later than 5 years	222,579	227,396
<b>Lease commitments</b>	<b>2,156,602</b>	<b>1,870,792</b>

Lease commitments mainly consist of future lease payments on leased buildings.

## 22. Derivative financial instruments

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recognized in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, fair values of securities and commodities relative to their terms. The aggregate contractual or principal amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The principal or agreed amounts and fair values of derivative instruments held are set out in the following table.

(in thousands of Russian Roubles, unless otherwise indicated)

## 22. Derivative financial instruments (continued)

The outstanding deals with derivative financial instruments are as follows:

	30 September 2011			31 December 2010		
	<i>(unaudited)</i>					
	<i>Notional principal</i>	<i>Fair values</i>		<i>Notional principal</i>	<i>Fair value</i>	
	<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>	
<b>Foreign exchange contracts</b>						
Swap – domestic	500,000	–	(31,686)	500,000	–	(20,141)
Forwards – domestic	5,578,143	38,341	(108,172)	12,800,298	82,163	(70,544)
Forwards – foreign	25,438,718	120,285	(374,691)	16,762,295	272,531	(48,197)
Futures – foreign	–	–	–	1,438	53	–
Options – domestic	–	–	–	109	–	(80)
<b>Interest rate contracts</b>						
Swaps – foreign	–	–	–	9,746,750	157,467	–
Options – foreign	–	–	–	27,500,000	309,574	–
<b>Securities contracts</b>						
Forwards – domestic	193,774	39,038	–	86,323	22,176	–
Forwards – foreign	9,204,285	54,423	–	–	–	–
Options – domestic	3,747,034	2,046,012	–	3,746,034	1,577,374	–
Options – foreign	7,329,700	63,224	–	463,127	12,492	(4,518)
<b>Contracts with other underlyings</b>						
Options on stock indices – foreign	–	–	–	4,393,450	25,937	(870)
Options on stock indices – domestic	–	–	–	1,179	–	(817)
Commodity swap – domestic	–	–	–	56,123	31,285	(3,170)
Commodity forwards – domestic	–	–	–	968,757	84,896	–
Commodity futures – foreign	–	–	–	13,764,304	98,067	(448,265)
Commodity options – domestic	–	–	–	672	–	(1,049)
Commodity options – foreign	–	–	–	1,257	178	(131)
<b>Total derivative assets/(liabilities)</b>		<b><u>2,361,323</u></b>	<b><u>(514,549)</u></b>		<b><u>2,674,193</u></b>	<b><u>(597,782)</u></b>

## 23. Capital Adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the CBR in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

During the period, the Group had complied in full with all its externally imposed capital requirements. The Group shall at all times maintain the following covenants for Loan participation notes program and syndicated loans:

- a Capital Adequacy Ratio at a minimum of 10% or such higher percentage as may be required by the Bank for International Settlements at any time;
- a Russian Capital Adequacy Ratio at a minimum of 10% or such higher percentage as may be required by the Central Bank of the Russian Federation at any time;
- an aggregate Tier 1 Capital of not less than Rbth 16,000,000.

(in thousands of Russian Roubles, unless otherwise indicated)

### 23. Capital Adequacy (continued)

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

*CBR capital adequacy ratio (N1)*

The CBR requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on Russian accounting legislation. As at 30 September 2011 and 31 December 2010, the Bank's capital adequacy ratio on this basis was as follows:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Main statutory capital	26,000,595	22,474,659
Additional statutory capital	23,828,188	14,346,292
<b>Total capital</b>	<b>49,828,783</b>	<b>36,820,951</b>
<b>Risk weighted assets</b>	<b>442,441,841</b>	<b>290,188,153</b>
<b>Capital adequacy ratio</b>	<b>11.3%</b>	<b>12.7%</b>

Main capital comprises ordinary share capital and retained earnings, including current period profit. Additional capital includes subordinated debt.

*Capital adequacy ratio under Basel Capital Accord 1988*

The Group's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 September 2011 and 31 December 2010, comprised:

	<i>30 September 2011 (unaudited)</i>	<i>31 December 2010</i>
Tier 1 capital	32,123,137	27,843,074
Tier 2 capital	23,512,754	14,317,731
<b>Total capital</b>	<b>55,635,891</b>	<b>42,160,805</b>
<b>Risk weighted assets</b>	<b>382,368,677</b>	<b>391,025,603</b>
<b>Tier 1 capital ratio</b>	<b>8.4%</b>	<b>7.1%</b>
<b>Total capital ratio</b>	<b>14.6%</b>	<b>10.8%</b>

At 30 September 2011, for the purposes of the above calculation, the subordinated debts received by the Bank in the amount of Rbth 21,059,063 (as at 31 December 2010: Rbth 12,439,351 ), were included in the full amount in upper Tier 2 capital on the basis of the regulator's approval and the appropriate regulations set out by the CBR.

### 24. Events after the Reporting Period

On 12 October 2011, the Bank completed registration of additional 334,373,607 shares with nominal value of 1 Ruble. The Bank does not plan to perform a public offering of shares before December 2011.

In October 2011, the Group purchased 100% share in Closed Investment Real Estate Fund Aruji Real Estate 1 for 70,000,000 US Dollars.