Russian Agricultural Bank

ANNUAL REPORT 2012

Chairman of the Management Board Statement

Dmitry N. Patrushev
Chairman of the Management Board and CEO
Russian Agricultural Bank

2012 was marked by a number of outstanding events and significant achievements for Russia. The country has officially become a WTO member – taking an important step towards global economic integration. A new State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuffs for 2013-2020 has been adopted.

President Vladimir Putin has identified key priorities to ensure domestic stability. "Stability is the most important condition for further national development. It is a necessary and essential condition," President Putin underscored.

Since its inception, stability has been the word that most fully describes the business of Russian Agricultural Bank. The Bank holds a significant position within the domestic banking sector and is well positioned for further development thanks to its vast branch network. The Bank's primary tasks are inseparable from the development strategy for the economy's real sector.

In 2012, financial resources provided by the Bank to agriculture and related sectors helped increase output in domestic plant and animal breeding, upgraded technical facilities, and set up new modern enterprises.

During the past year, Russian Agricultural Bank has extended RUB 385.4 billion to agricultural producers. In 2012, the Bank's loan portfolio increased RUB 151 billion (16%) to RUB 1,105 billion. Of the more than 4,200 investment projects being implemented with the Bank's financial support, approximately 3,000 projects have been put into operation, 363 of these in 2012, alone. The Bank's share in short-term seasonal field work financing exceeded 70%.

Lending volume extended under the State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuff for 2008-2012 amounted to approximately RUB 1.7 trillion. It is worth noting that under the new State Program Russian Agricultural Bank has been assigned the key role in financing priority directions.

The Bank's Supervisory Board has adopted the new Development Strategy through 2020, marking an important milestone of the past year. Pursuant to the new Strategy, the Bank will further strengthen its positions in agribusiness and related sectors, provide financial support to the fishery and forestry industries, and support the populations and businesses of rural areas, towns and mid-sized cities.

Strategy implementation will secure the continued effective development of Russian Agricultural Bank, balancing the interests of the State and the Bank's clients, while at the same time strengthening its position as the backbone institution for the realization of State programs both at the federal and regional levels.

Given new realities, the Bank will adapt its products and services to WTO requirements, will continue to work towards the expansion of its product range, tailoring it to effectively meet the different needs of customers and climatic factors, including ready-made solutions, project financing, investment lending, and the extension of loans under WTO requirements and others.

I strongly believe that the adopted strategy will allow the Bank to carry out effective work as the key financial institution for achieving objectives set forth by the Russian President and aimed at ensuring national food independence and making progress towards Russia establishing itself as the largest global food exporter.

Serious tasks lie ahead: providing reliable and efficient financing for strategically vital sectors of the Russian economy, increasing their competitiveness and upgrading the investment attractiveness of Russian Agricultural Bank, as well as ensuring sustainable welfare improvement for the rural population.

Dmitry N. Patrushev
Chairman of the Management Board and CEO
Russian Agricultural Bank

Russian Agricultural Bank

Annual Report

2012

Key Financial Highlights

USD million	*FY 2010*	*FY 2011*	*FY 2012*
Summary of consolidated income statement			
Net interest income	1,693.7	1,665.1	1,857.5
Net interest income after provision for loan impairment	758.4	964.7	981.6
Profit before tax	24.0	10.9	27.0
Profit for the year	**12.1**	**1.8**	**4.7**
Summary of consolidated balance sheet			
Cash and cash equivalents	2,657.8	4,160.2	3,501.5
Mandatory cash balances with the Central Bank of the Russian Federation	113.8	261.4	301.4
Securities	2,115.5	3,351.4	3,004.8
Due from other banks	1,131.1	1,228.8	1,512.3
Loans and advances to customers	22,590.4	28,065.1	35,255.6
Premises and equipment	852.5	779.3	759.6
Other assets	1,076.9	2,042.8	2,706.3
Total assets	**30,538.0**	**39,889.0**	**47,041.5**
Due to other banks	3,463.8	2,808.0	4,489.4
Customer accounts	12,673.2	18,860.1	18,356.1
Promissory notes issued	324.0	625.1	765.0
Other borrowed funds	8,450.1	10,636.6	14,516.5
Derivative financial instruments	17.7	23.0	173.2
Other liabilities	224.0	291.3	405.0
Subordinated debts	1,527.1	1,776.1	1,820.0
Total liabilities	**26,679.8**	**35,020.2**	**40,525.3**
Total equity	**3,858.2**	**4,868.8**	**6,516.2**
Total liabilities and equity	**30,538.0**	**39,889.0**	**47,041.5**

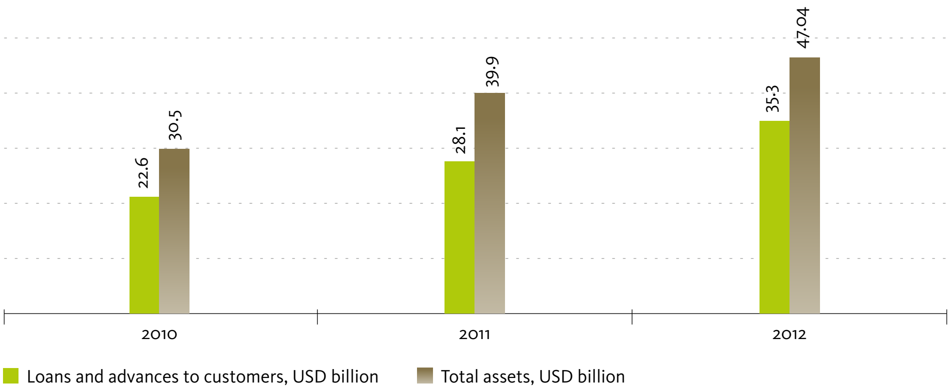
Strong Capitalization

Capital Adequacy

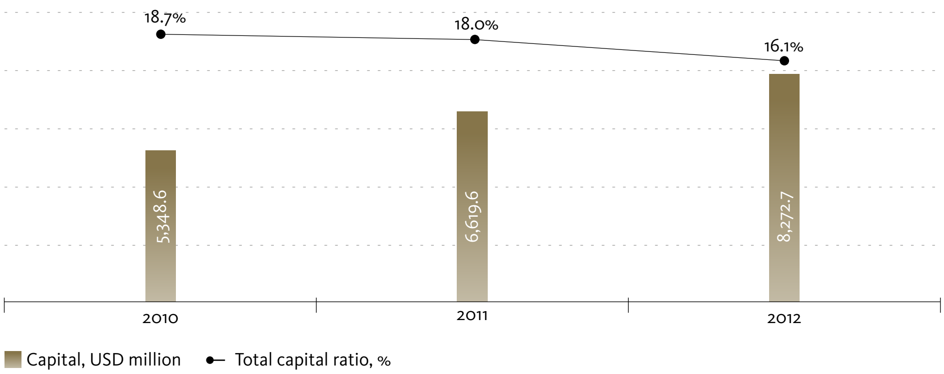
USD million, %	*FY 2010*	*FY 2011*	*FY 2012*
Tier I Capital	3,794.3	4,838.7	6,450.7
Tier II Capital	1,554.3	1,780.9	1,822.0
Total Capital	5,348.6	6,619.6	8,272.7
Total RWA	28,611.2	36,992.0	51,366.4
Tier I Capital / RWA	13.3%	13.2%	12.6%
Total Capital Ratio	**18.7%**	**18.0%**	**16.1%**

Source: Audited IFRS Financial Statements as of December 31, 2010, December 31, 2011 and December 31, 2012. Converted using RUB/USD exchange rates as quoted by the Bank of Russia as of December 31, 2010 – 30.48, December 31, 2011 – 32.20 and December 31, 2012 – 30.37

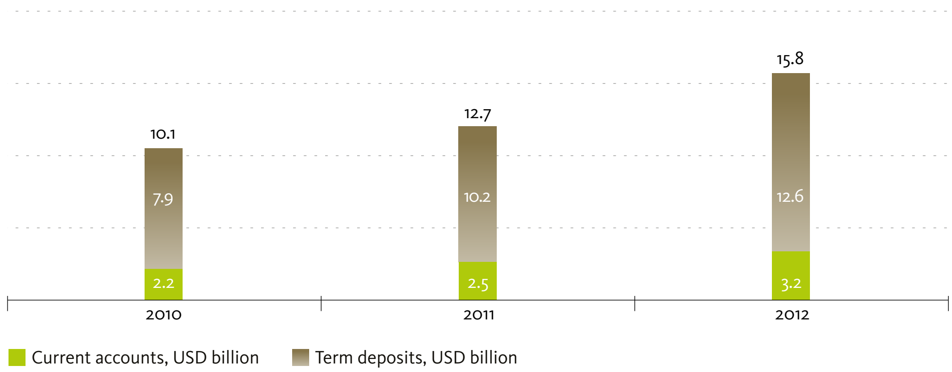
Strong Asset Growth



Capital Base



*Deposit Growth**



*Note: Excluding State and public organizations

Source: Audited IFRS Financial Statements as of December 31, 2010, December 31, 2011 and December 31, 2012. Bank of Russia RUB/USD exchange rates as of December 31, 2010 – 30.48, December 31, 2011 – 32.20 and December 31, 2012 – 30.37

Note: Forward-looking statements

This report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Russian Agricultural Bank. These statements involve risk and uncertainty, because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and interpretations of IFRS that are applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.

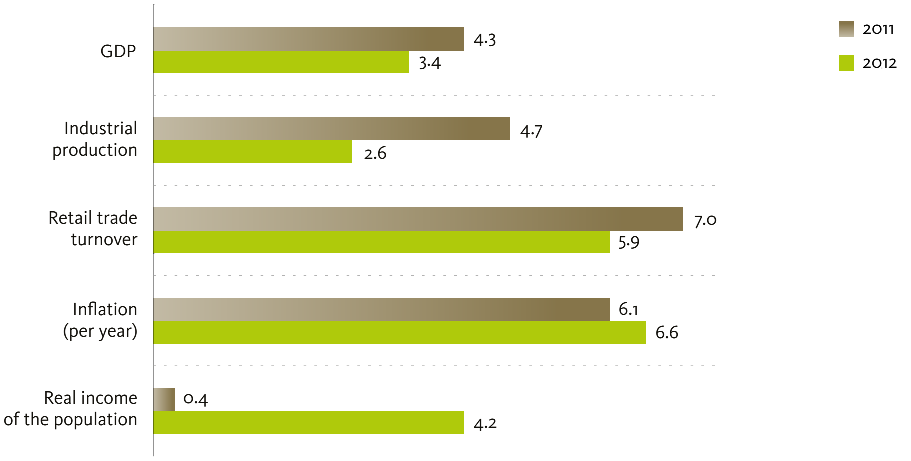

RUB 1.7
TRILLION
extended for the implementation of the State Program on Agribusiness Development 2008-2012

Operating environment

Macroeconomic climate and outlook

In 2012, Russian economic growth continued primarily due to expanded domestic demand: the estimated growth of investments in fixed assets was 6.7%; retail trade turnover increased 5.9%. At the same time, compared with 2011, Russian economic growth slowed.

Dynamics of Russia's Key Social and Economic Indicators (in %, compared with the previous year)



According to the Federal State Statistics Service, Russia's GDP in 2012 grew 3.4% compared with 4.3% growth in 2011. The volume of industrial production in 2012 increased 2.6% compared with 4.7% for the previous year, including food production growth of 5.1%, crop protection and agro-chemical products – 8.9%, and machinery and equipment for agriculture and forestry – 39.8%.

Consumer demand in 2012 remained high due to an increase in the population's real disposable income – 4.2% compared with 2011, and an expansion in consumer lending. Sales of consumer goods showed an 8.4% growth year-on-year.

Dynamics of Russian federal budget indicators

	2011		2012		
	RUB trillion	in % of GDP	RUB trillion	in % of GDP	Change, %
Revenues	11.37	20.8	12.86	21.0	+ 13.1
Expenditures	10.93	20.0	12.87	21.0	+ 17.8
Deficit (-), Surplus(+)	+ 0.44	+ 0.8%	- 0.01	- 0.02%	-

Sources: Ministry of Finance of the Russian Federation, Federal State Statistics Service.

Capital export in 2012 amounted to USD 56.8 billion compared with USD 80.5 billion in 2011. The Bank of Russia's international reserves increased USD 39 billion (7.8%) and amounted to USD 537.6 billion in 2012. The federal budget recorded a minor deficit of 0.02% of GDP, whereas in 2011 the budget surplus amounted to 0.8% of GDP.

In 2013, it is forecasted that the Russian economy will maintain sustainable economic growth: GDP will grow at 3.7%. The forecast is based on an expected increase in the competitiveness of the

Russian economy, due to increased import substitution, and strengthening economic activity, due to increased domestic investments. Industrial production growth is projected at 3.7% in 2013, investment in fixed assets – 7.2%. At the same time, the world price for Urals oil is expected to decline from USD 109 per barrel in 2012 to USD 97 per barrel in 2013. The domestic inflation rate is expected to be 5-6%.

The increase in budget financing for social services will accelerate growth in real household disposable income from 3% in 2012 to 3.7% in 2013.

Banking sector

Key indicators in the Russian banking sector

RUB billion	*2011*	*Change in % from the previous year*	*2012*	*Change in % from the previous year*
Assets	41,627.50	23.1%	49,509.60	18.9%
Total equity	5,242.10	14.2%	6,232.86	18.9%
Loans to non-financial sector	17,715.30	26.0%	19,971.40	12.7%
Loans to individuals	5,550.90	35.9%	7,737.10	39.4%
Deposits (excluding non-residents)	12,071.40	28.2%	12,897.40	6.8%
Individual deposits	11,871.40	20.9%	14,251.00	20.0%

In 2012, most indicators in the Russian banking sector demonstrated moderate growth. Sector assets expanded 18.9%, which reflects an increase in lending to both corporate and retail clients. Banking sector assets accounted for 79.4% of Russian GDP at YE2012, compared with 74.6% in the previous year. Loans to non-financial organizations extended by the Russian banks totaled RUB 20 trillion, a 19.1% increase over 2011, with retail lending growth up even more (39.4% compared with 2011). Retail credit segment expansion was driven by an increase in the real incomes of the population/households, a boost in consumer confidence, and low penetration for this type of banking services. However, by the end of the year, retail lending had slowed down in anticipation of regulatory environment tightening in this market segment, as well as due to rising interest rates, in particular, for mortgage loans, and slowing car sales.

Lending to the non-financial sector grew at lower rates, expanding 12.7%, which is two times lower than the previous year's figure. Lending to non-financial organizations slowed in September 2012, after earlier exceeding 20% on an annualized basis. The reasons for this were: decreased investment activity, high interest rates, and a significant number of problem loans in the banking system.

Within the retail segment, mortgage loans showed healthy growth during the same period. The banks extended approximately 741 thousand residential mortgages in the amount of RUB 1.07 trillion. Total outstanding mortgage loans stood at RUB 2.11 trillion at YE2012. The growth was, mainly, seen over H1 2012, as borrower demand weakened after banks started increasing interest rates.

Retail lending expansion provides an indirect economic stimulus by fuelling consumer demand which, in turn, drives supply. Once the growth potential in retail lending subsides, the next sector to focus on could potentially be small and medium business (SMEs) lending, in particular, due to the strong multiplier effect that it has on economic growth.

The share of overdue loans decreased to 4.5% (from 4.8%) of the loan portfolio. The share of overdue loans in loans to non-financial organizations, during 2012, rose from 4.6% to 4.9%, and afterwards decreased to the initial 4.6%. The share of overdue loans in the retail loan portfolio declined from 5.2% to 4%.

The deposits of individuals and non-financial organizations remained the primary funding sources. Current accounts and term deposits of non-financial organizations comprised 38.7% of the total attracted funds (as of YE2011 – 41.5%), whereas individual deposits accounted for 35.3% of the total attracted funds (as of YE2011 – 35.2%). Furthermore, credit organizations actively availed themselves of financing from the Bank of Russia. The share of CBR funding in total deposits attracted by credit organizations increased from 3.6% to 6.7% at YE2012.

Thus, 2012 lending dynamics were characterized by a slowdown in corporate lending alongside accelerating growth in retail lending. The banks tightened certain underwriting criteria, mostly in respect to non-financial organizations. Heightened competition for borrowers put pressure on the margins in the retail segment. Despite the rising need for corporate and individual deposits, the dynamics and structure of the deposit market in certain aspects lagged behind or remained unchanged as compared with 2011. By YE2012, a significant number of banks had re-priced their corporate and retail deposits to attract clients.

In 2012, the banks posted sound profits, which were partially allocated to increase capital and maintain regulatory ratios. The banking sector's aggregate profit before taxation for 2012 exceeded RUB 1 trillion, a 19.3% increase over 2011.

System-wide capital adequacy levels demonstrated upward dynamics for three consecutive months for the first time in several years. Capital adequacy levels contracted from 14.7% as of YE2011 to 13.2% as of Q32012 and then inched up to 13.7% as of YE2012.

In August 2012, Russia became an official WTO member. The terms of WTO accession allow Russia to maintain its existing competitive environment in the banking sector and secure additional confidence that credit institutions in Russia, regardless of whether they are foreign or local, have parity in the regulatory sphere.

Prospects

Pursuant to the Bank's vision, as reflected in its Development Strategy, the banking sector over the mid- to long-term will transition to intensive – as opposed to predominantly extensive – development resulting in tightened competition, a reduction in operating expenses, increased service quality, and enhanced service accessibility, including in remote regions. There is a high potential for retail business development in rural areas, as well as in small- and mid-sized towns. Fee and commission income growth will outpace other types of income. In terms of the competitive environment, considering the mid- to long-term, it is expected that the number of banks will decrease due to the mergers and take-overs of small- and medium-sized banks and increased capital adequacy requirements. The banks will expand their branch networks, thus, resulting in increased banking service penetration.

Over the short-term, retail lending is expected to be the primary driver of loan growth. Mortgage loans will account for a larger share of the loan book. Corporate lending (to the non-financial sector) is expected to slow, but remain above the GDP growth rate. As a result, individual deposits will gain further importance as a funding source. The introduction of an irrevocable deposit option is under consideration by Russian regulatory bodies. As estimated by the Deposit Insurance System, retail deposits will grow approximately 17 – 19% in 2013, an almost certain decrease from 2012 due to a projected drop in the household savings rate. Corporate deposits will register slower growth in 2013, as well. In April 2013, the Russian government's lawmaking commission approved an increase in the deposit insurance coverage limit for retail depositors to RUB 1 million (up from RUB 700 thousand). This draft law is subject to Russian parliamentary approval. Higher deposit insurance coverage will encourage the inflow of new retail deposits.

Bank of Russia initiatives undertaken in 2012 included: increasing provisioning for unsecured lending, tightening the procedure for market risk calculation and allocating capital for operations that involve higher risk. Within the framework of these measures and work towards implementing Basel II and III guidelines, the banks will feel, although estimated as not critical, certain capital adequacy pressures. This will translate into a rising need for various sources of equity, including hybrid instruments.

The Russian authorities proceeded with the earlier announced plans to create an international financial center in Moscow. To this end, the Government has continued advancing the legal framework, including: adopting (in 2011) the Federal Law On the National Payment System; numerous legislative proposals to introduce security mechanisms; and further diversification of banking sector liquidity instruments.

The Government will work towards increasing financial market liquidity and expanding the number of participants, including by easing accession requirements and raising the stock free float by Russian issuers. Another initiative that is being implemented is merging the Bank of Russia and the Federal Financial Markets Service to create a single, unified oversight agency.

Moody's maintained a negative outlook for the Russian banking sector. In Moody's opinion, systemic support for the largest Russian banks will remain strong, and the government will remain a key shareholder in the banking system in the medium-term. However, the rating agency sees risks related to a decreased government capacity to provide systemic support to all large banks at once if oil prices drop (due to the federal budget's dependence on oil revenues). Second, execution of the Russian government's banks privatization plan increases the likelihood of market solutions for banks support over the medium- and longer-term.

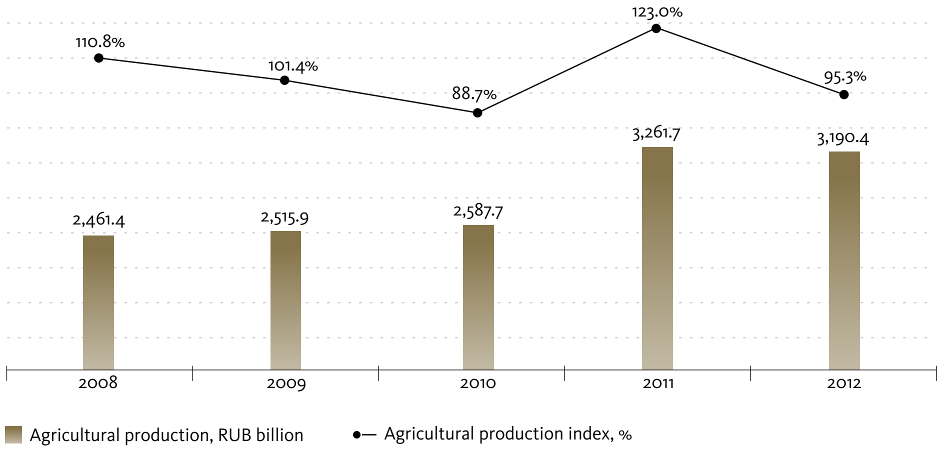
Standard & Poor's released a report on Russian banking sector prospects, in which the agency pointed out that the sector has (for the most part) recovered after the global financial crisis. According to Standard & Poor's, the sector's credit quality will likely remain broadly stable in 2013. However, less favora position to re-capitalize systemically-important banks in case of future need.

Source: the Central Bank of Russia, Russian Agricultural Bank Strategy through 2020.

Agribusiness Sector

Considering the unfavorable weather conditions and consequences of the 2009-2010 droughts, the volume of 2012 agricultural production across all categories of agribusiness establishments (agricultural enterprises, farms and small holdings), according to the Federal State Statistics Service, decreased 4.7% compared with 2011 and stood at RUB 3,190.4 billion.

Russian Agricultural Production Dynamics



The grain harvest in Russia in 2012 amounted to more than 70 million tons, which is 25% below the 2011 level. The wheat harvest decreased 32.9%, rye — 28.2%, barley — 17.7%. The production of sunflower seeds dropped 17.9% compared with 2011, sugar beet — 8.9%, potatoes — 10.2%, vegetables — 0.7%. At the same time, flax production increased 4.2%.

Farming exports reached an all-time high value last year: Russia shipped USD 16.6 billion worth of mostly grain, but also corn and vegetable oil, among other products.

Food security — measured as the reliance on domestically produced food — increased as well. Russia produced 99% of the grain it consumed in 2012, 96% of sugar, 75% of meat and 80% of milk and dairy products.

As of January 1, 2013, grain stocks in Russian agricultural, harvesting and processing organizations amounted to 25.3 million tons – 29.4% off the previous year's level.

In animal husbandry, meat and poultry production increased 6.1%, milk — 0.9%, and eggs — 2.2% (compared with 2011). Cattle stock, as of January 1, 2013, decreased 0.8% year-on-year, when including cows — 1.0%. The pig population increased 9.2%, sheep and goats were up 4.4%.

The Russian federal and regional governments allocated a total of RUB 730 billion (USD 23.5 billion) to the farming sector over a five-year period, as part of the State Program on Agribusiness Development 2008-2012: RUB 487 billion from the federal budget, and an additional RUB 243 billion from regional budgets. State Program funding exceeded the target value by 18.5%. Government support to the sector has resulted in an inflow of private investment, which by the end of 2012 totaled RUB 1.8 trillion. Each ruble of financial support provided by the Russian Government has generated more than five rubles in private investment.


No. 1
in lending to agribusiness

Loans and leasing instruments also proved to be quite effective during the 2008-2012 period. As a result, the agricultural production rate has increased approximately 17% over the five-year period, including a 14.6% growth in crop production and a 14.9% growth in livestock production. Due to the active work of some regional agencies, several Russian regions have reported a record growth in agricultural production. For example, farming output in the Belgorod Region increased 50% above the target figure and has almost doubled over the past five years.

The grain harvest, which consisted of more than 108 million tons in 2008 and 94 million tons in 2011, plunged to 61 million tons in 2010 and was only 70.9 million tons during the reporting period. At the same time, grain production grew 12.8% during the period of the State Program (2008-2012), as compared with the previous five-year period (2003-2007), sugar beet production went up 38.5%, sunflower seeds - 29% and soybeans – soared more than 100%. The share of stock seeds in the total output increased from 9.2% to 21.2%, which is above the target figure by nearly a half.

In 2013, agricultural output is expected to grow compared with the notable 2012 slowdown resulting from the drought. The increase in agricultural production is projected to be 6.4%, including a 29.3% boost in grain yield. Production forecasts for livestock and poultry (live weight) stay at 4.0%, milk –2.0%, and eggs –0.8%. In the food industry, growth will slow down to 3.6% (compared with 5.3% in 2012).

State Program on Agribusiness Development 2013-2020 implementation stipulates RUB 137 billion of federal budget funds in 2013 (compared with RUB 136 billion in 2012). Subsidies for interest compensation on loans will remain the principal focus of financial support for domestic agribusiness.

In 2013, total expenditures of the federal and regional budgets for agribusiness support will reach RUB 260 billion, or USD 8 billion. Dedicated funding has been increased to secure sustainable growth of the sector within the new economic environment - Russia's recent accession to the WTO.

Source: Information of the Ministry of Agriculture of the Russian Federation

Bank Profile

Russian Agricultural Bank is 100-percent State-owned and is among the Top 5 Russian banks based on key performance indicators (KPIs). The Bank's priority is providing financial support to Russian agribusiness, fishery and forestry enterprises and developing rural territories, which are recognized as strategically important sectors by the State.

Consistent with Russian government policy objectives set forth by the State Program on Agribusiness Development 2013-2020, Russian Agricultural Bank plays a key role in rural development, ensuring the sustainable growth of agribusiness and related sectors.

As the main lender to Russian agribusiness, Russian Agricultural Bank possesses an unrivalled knowledge of this market. The Bank offers a wide range of financial products and services to agribusiness and the rural population, which makes up 27% of Russia's total population. The Bank continually enhances its product range to accomplish State policy goals and to meet the needs of target demographic segments.

Mission and Strategy

Russian Agricultural Bank's mission is to implement the Russian government's financial policy in agribusiness by:

- Ensuring the availability of affordable banking products and services for Russia's agribusiness including fishery and forestry enterprises and the population of small towns and rural areas;
- Contributing to the development and operation of Russia's credit and financial system;
- Fostering the development of Russia's agribusiness including fishery and forestry industries, and rural areas;
- Bringing financial services to rural areas where no other credit institutions are present.

On November 21, 2012, the Supervisory Board of Russian Agricultural Bank approved the new Strategy of the Bank's Development for 2013-2020. The meeting of the Supervisory Board was attended by Arkady Dvorkovich, Deputy Prime Minister of the Russian Federation, Nikolai Fyodorov, Minister of Agriculture, and Olga Dergunova, Deputy Minister of Economic Development – Head of the Federal Agency for State Property Management.

The strategy stipulates that Russian Agricultural Bank will continue to play a key role in the development of rural areas, providing for the sustainable growth of agribusiness and related sectors. This priority will remain unchanged in the long-term. The share of agribusiness, including fishery and forestry sectors and rural population, as well as related sectors in the Bank`s loan portfolio will be maintained at 70% or more up to 2020.

The Bank will continue to work towards the expansion of its product range, tailoring it to the different needs of customers, including ready-made solutions, project financing, investment lending, extending loans under the WTO "green basket" (innovations and infrastructure) and products adapted to the WTO "yellow basket" requirements, and others.

The Development Strategy through 2020 will contribute to Russian Agricultural Bank's mission accomplishment. The Strategy envisages further expansion of the Bank's business with a focus on:

- Maintaining leading positions in lending and other financial services to agribusiness, fishery and forestry sectors, and in facilitating rural development;
- Implementing federal and regional programs that are focused on:
  - Ensuring national food security;
  - Achieving Russia's status as the world's leading food producer and exporter;
  - Maintaining social stability and development in rural areas, upgrading financial literacy and the living standards of the rural population.
- Ensuring sustainable development and increasing Bank efficiency:
  - Transforming the Bank's operating model and IT systems to reduce operating expenses;
  - Developing interest and commission products across all segments, offering a wide range of customized products;
  - Expanding the regional network via the development of low-cost and highly efficient sales channels;
  - Growing the customer base by offering a wide range of affordable, high quality banking products and services to both corporate and retail customers.

Market Position

Since its inception in 2000, Russian Agricultural Bank has become a financial institution that is vital to the system, as well as an acknowledged leader in agricultural lending, holding a market share of more than 40 percent. Moreover, the Bank's share in lending to small farms that account for more than half of domestic agricultural output stands at 75%. Russian Agricultural Bank branch network is comprised of more than 1,500 offices covering in excess of 80% of Russia. Nationwide, the Bank serves more than 4 million clients. The Bank's local presence provides a significant marketing advantage, as well as access to the regional client base. The Bank is widely known as a reliable banking partner to major global financial institutions, with a correspondent network of more than a hundred banks and a geographically diverse investor base.

Russian Agricultural Bank consistently holds Top 5 rankings in Russia based on key performance indicators (KPIs)*:

- No. 1 – in lending to agriculture;
- No. 2 – by branch network**;
- No. 2 – by lending to SME's;
- No. 4 – by assets;
- No. 4 – by loan portfolio;
- No. 4 – by capital;
- No. 5 – by retail lending.

** Source: Expert RA rankings, RBC rankings, Company information.*
*** excluding points of sale in shopping centers.*

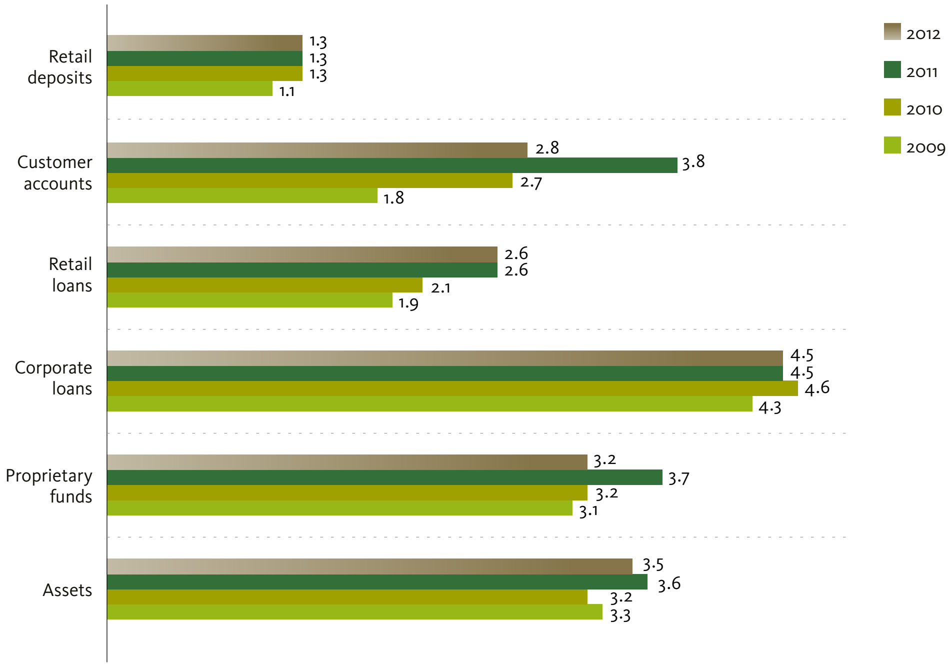
The Bank ranks 159th by capital in the Top 1000 World Banks 2012 ranking (as published by The Banker magazine) and number three among Russia's most reliable institutions, according to Forbes magazine.

Russian Agricultural Bank grows in consistency along with the Russian banking system. In 2012, corporate lending for the banking sector grew 12.7% and retail lending increased 39.4%. The Bank's growth was 12.3% and 35.1%, respectively. The Bank's share in corporate lending (in the sector) amounted to 4.5%.

The Bank is a leading financial institution in lending to agribusiness and related sub-sectors, with the following market shares:

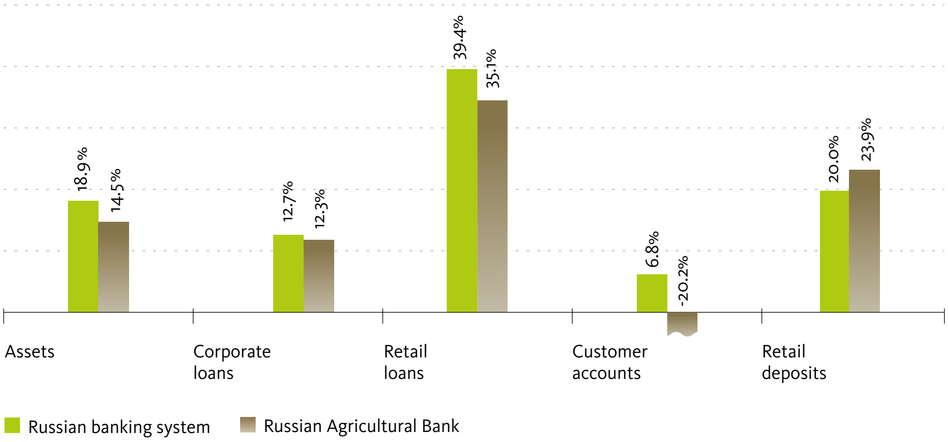
- Agriculture, fishery, forestry, hunting and related services – 40.2%;
- Food and beverage production, including tobacco – 13.5%;
- Production of machinery and equipment for agriculture and forestry – 11.0%.

Russian Agricultural Bank's share in the Russian banking sector, %



Source: Bank of Russia, Russian Agricultural Bank information

Comparative Dynamics for 2012 Key Financial Indicators



Source: Bank of Russia, Russian Agricultural Bank information

RUB 188.8 bln
Share Capital
FY2012
IFRS

RUB 1,428.7 bln
Total Assets
FY2012
IFRS

RUB 1,070.7 bln
Loan Portfolio
FY2012
IFRS

35,458
Personnel
FY2012
IFRS

No. 2
Largest branch network in the Russian Federation*
РБК.Рейтинг

No. 3
Most reliable bank in the Russian Federation
Forbes

No. 4
Largest bank by assets and capital
ЭКСПЕРТ РА

No. 159
Among the Top 1000 banks globally
The Banker

** excluding sales points in shopping centers.*
Source: Company information, RBC Rating, Expert RA, The Banker, and Forbes.

Note: Financial data in this section is prepared under RAS as of January 1, 2013.

Financial and Operating Performance

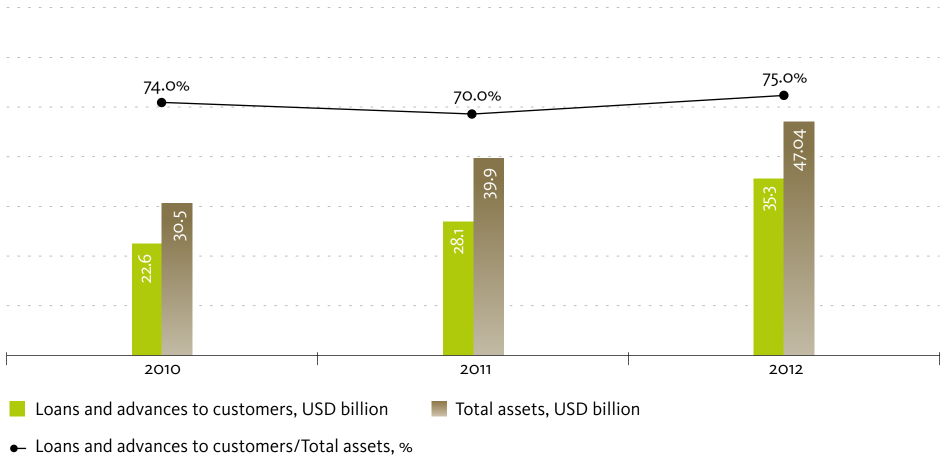
Assets and Liabilities

During the reporting period, the Bank showed positive dynamics in its main performance indicators in line with the Bank's business plan.

Russian Agricultural Bank`s assets grew 11% and exceeded RUB 1.4 trillion (USD 47 billion). The Bank`s loan portfolio grew 19% totaling RUB 1.2 trillion (USD 38.5 billion) before provisions. The corporate loan portfolio increased 16% to RUB 969 billion (USD 31.9 billion), the retail loan portfolio – was up 35% and amounted to RUB 200 billion (USD 6.6 billion).

The Bank`s net interest income rose 5% year-on-year, while net fee and commission income demonstrated a 50% growth. Net profit increased 2.5 times and amounted to RUB 144 million (USD 5 million).

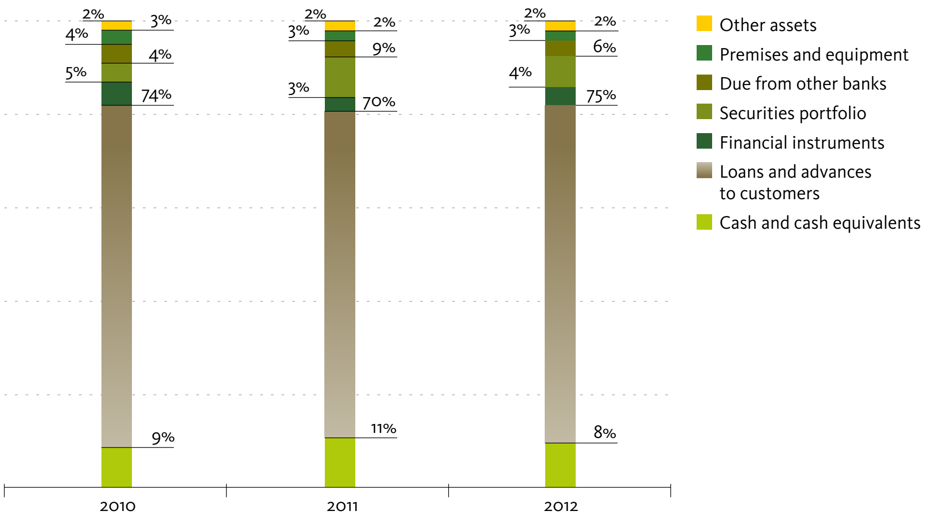
Sustainable Growth



In 2012, assets and the loan portfolio grew in line with management expectations and objectives. The share of corporate and retail loans (75%) consistently played a dominant role in the Bank's asset structure, indicating a high degree of customer credit loyalty.

The share of cash and cash equivalents accounted for 8% of the Bank's total assets, financial instruments and securities — 10%, amount due from other banks — 3%, and premises and other assets — 4%.

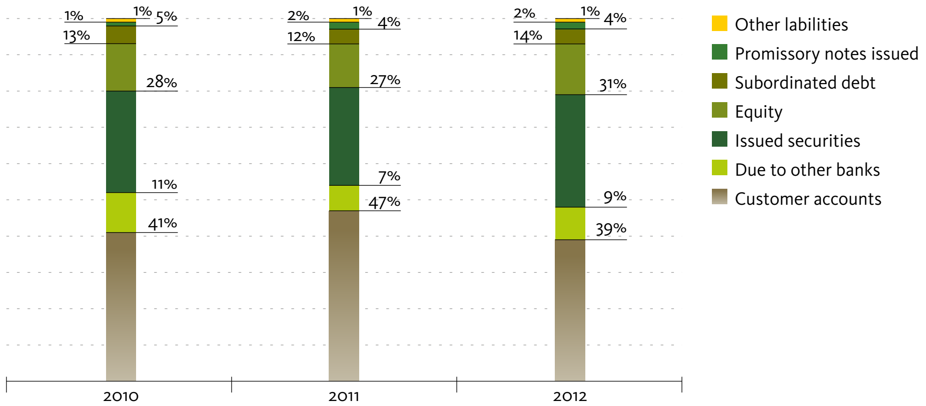
Asset Structure Dynamics




Loan portfolio exceeds
RUB 1.168
TRILLION

Russian Agricultural Bank's liabilities are reasonably well diversified. In 2012, customer accounts made up the largest share of the Bank's liabilities structure — 39%. The share of issued securities accounted for 31% of the Bank's total liabilities, equity and the amount due to other banks — 14% and 9%, respectively.

Liabilities Structure Dynamics



Strong Capital Position

Russian Agricultural Bank enjoys consistent support from its sole shareholder — the Government of the Russian Federation — in the form of ongoing capital injections, which provide for additional increases in lending to corporate and retail clients across Russia.

In December 2012, the Government of the Russian Federation increased the capital of Russian Agricultural Bank by RUB 40 billion (USD 1.4 billion). As of December 31, 2012, the Bank's share capital amounted to RUB 188.8 billion (USD 6.1 billion) and total capital reached RUB 251.2 billion (USD 8.3 billion). An increase in the share capital allowed the Bank to maintain capital adequacy at its traditionally high level amidst continuous loan portfolio growth.

The Bank's capital ratios comply with requirements of the Russian Central Bank and Basel recommendations.

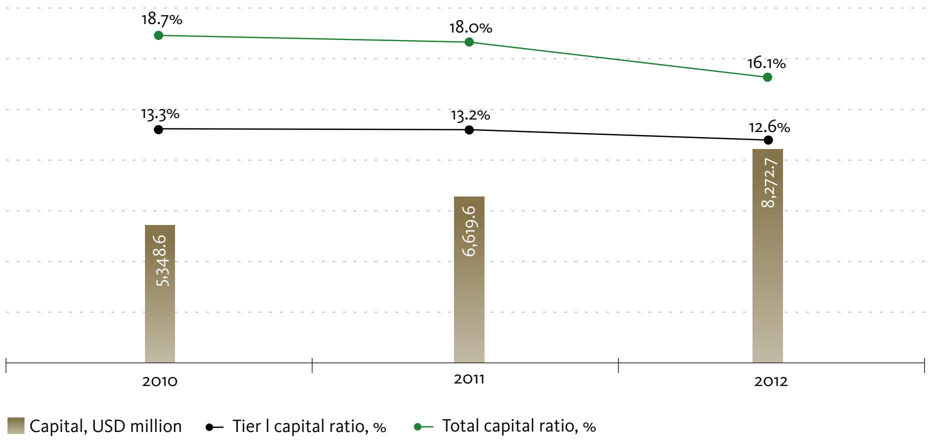
Capital Adequacy

Parameter	*2010*	*2011*	*2012*
Tier I Capital (USD mln)	3,794.3	4,838.7	6,450.7
Tier II Capital (USD mln)	1,554.3	1,780.9	1,822.0
Total Capital (USD mln)	5,348.6	6,619.6	8,272.7
Total RWA (USD mln)	28,611.2	36,992.0	51,366.4
Tier I Capital Ratio	13.3%	13.2%	12.6%
Total Capital Ratio	18.7%	18.0%	16.1%

The Government is committed to funding further capital increases for Russian Agricultural Bank to support lending activity under the State Program on Agribusiness Development 2013-2020.

Strong capital and liquidity are the competitive advantages that ensure that the Bank is well-positioned to seize new opportunities for agribusiness support, wherever and whenever they may arise.

Capital

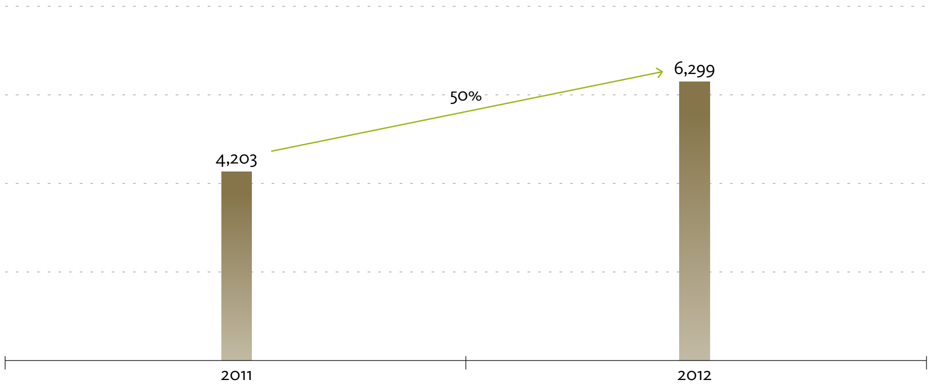


Income and Expenses

As the sole shareholder of Russian Agricultural Bank, the Government of the Russian Federation does not set profitability and operational efficiency as targets. However, the Bank continuously works to achieve positive financial results and upgrade operational efficiency.

In 2012, Russian Agricultural Bank's efforts to upgrade performance efficiency contributed to 5% growth in the Bank's net interest income to RUB 56.4 billion (USD 1.9 billion). Net fee and commission income increased approximately 50% and reached RUB 6.3 billion (USD 207 million). During the reporting period, 72% of fee and commission income was generated from settlement, cash and payment card transactions. For FY 2012, net profit amounted to RUB 144 million (USD 4.7 million).

Net Fee and Commission Income, RUB million



Russian Agricultural Bank continued to focus on balancing growth and returns to maximize operating efficiency and value creation. The Bank pays special attention on control over expenses; operating expenses are particularly tightly controlled.

In 2012, interest expenses grew 33%; total administrative and other operating expenses increased 16% compared with the previous period. Staff costs accounted for 66% of the total net increase in administrative and other operating expenses and included both statutory social security and contributions to State and non-State pension funds.

Russian Agricultural Bank believes that growth and savings are not mutually exclusive. This is why reducing expenses is a top priority, even as the Bank emphasizes growing its loan portfolio and customer base. The Bank strives to grow efficiently in ways that result in products and services that customers value.

Loan Portfolio and Diversification

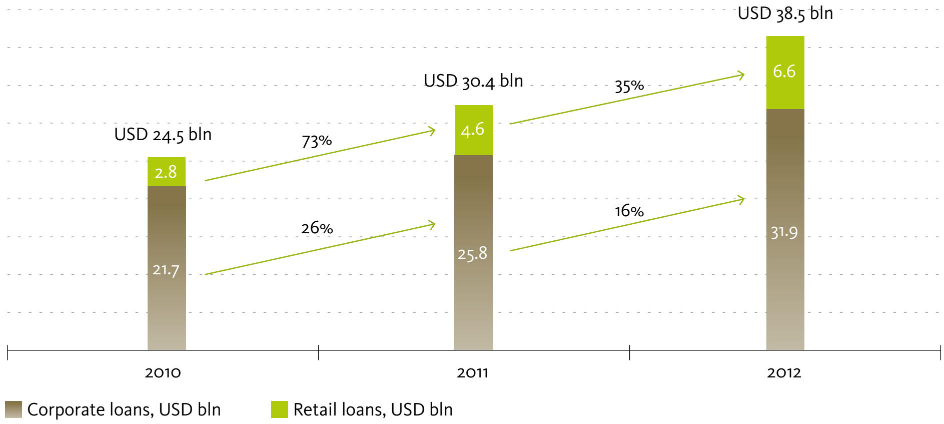
Russian Agricultural Bank has demonstrated significant results in its lending business, maintaining its market share in major agribusiness segments and providing full-scale support to both the agribusiness and related sub-sectors.

In 2012, the loan portfolio grew 19%, totaling RUB 1.2 trillion (USD 38.5 billion) before provisions. The corporate loan portfolio increased 16% to RUB 969 billion (USD 31.9 billion), the retail loan portfolio — up 35% — to RUB 200 (USD 6.6 billion).

In 2012, corporate loans traditionally prevailed over retail loans. However, in line with the Bank's business plan, growth in the retail portfolio has outstripped growth in the corporate loan portfolio. Consumer lending remains the most in demand banking product for individual clients and accounts for 45.8% of retail loans, loans to personal household plots owners — 29.9%, loans for the purchase of machinery and equipment — 18.1% and loans for seasonal field work — 11%.

Major contributions to the retail loan portfolio were made by the Sadovod credit program (81% growth), mortgage lending (79% growth), and the Successful Partners for personal households owners (50%). In 2012, the new credit products — military mortgages and unsecured loans to personal household owners — were introduced. RUB 550 million (USD 18 million) was extended under these products.

Loan Portfolio Structure

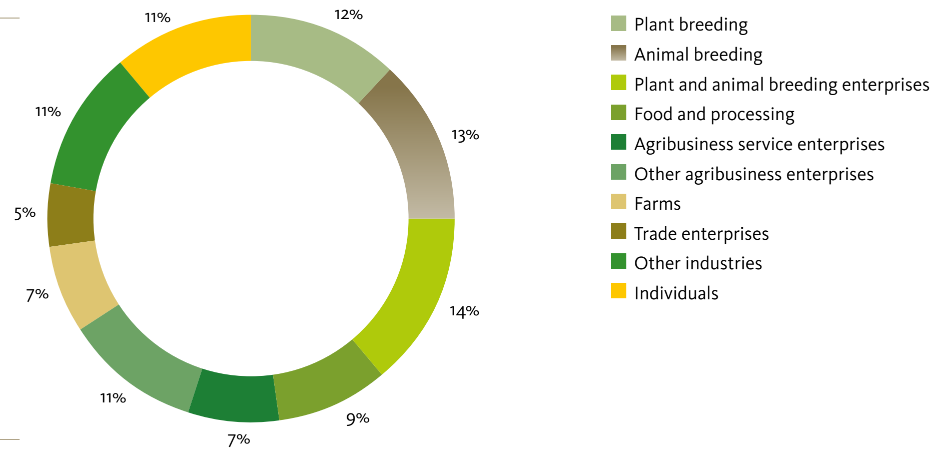


The Bank's loan portfolio is well-diversified within the agribusiness sector and related sub-sectors and across the whole agribusiness chain. Agribusiness is a highly diversified sector with more than 20 sub-sectors and related industries, which provides multiple lending areas within the framework of the agribusiness production chain. With the second largest branch network in Russia, covering more than 80% of Russian territory, the Bank is well-positioned to diversify its loan portfolio across Russian territory, thereby minimizing the influence of negative weather conditions in different regions on loan portfolio quality.

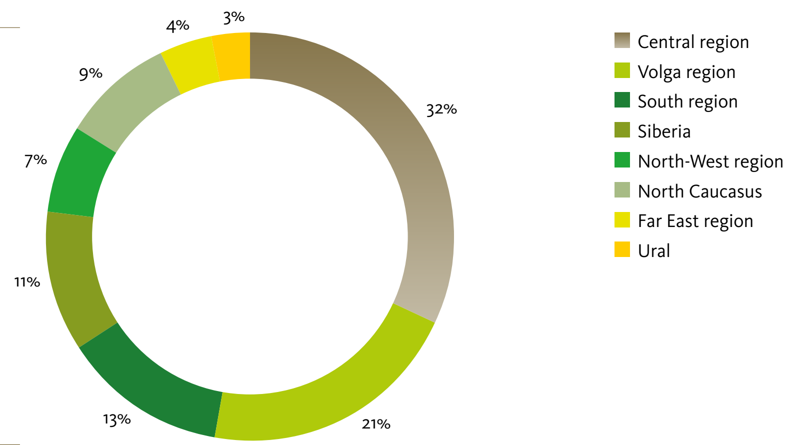
During the reporting period, the Bank provided financial support to agribusiness enterprises across all stages of the production cycle: from primary agricultural production, to storage, processing and final output.

Loan Portfolio Diversification Across the Agribusiness Production Chain

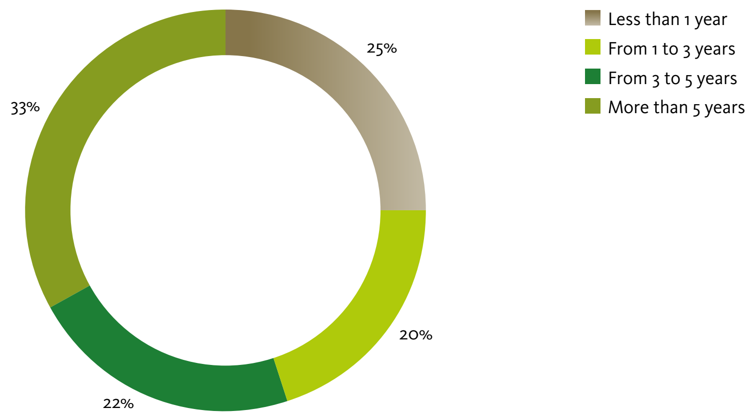
Loan Portfolio Diversification by Sector



Loan Portfolio Diversification by Region



Corporate Loan Portfolio Diversification by Maturity

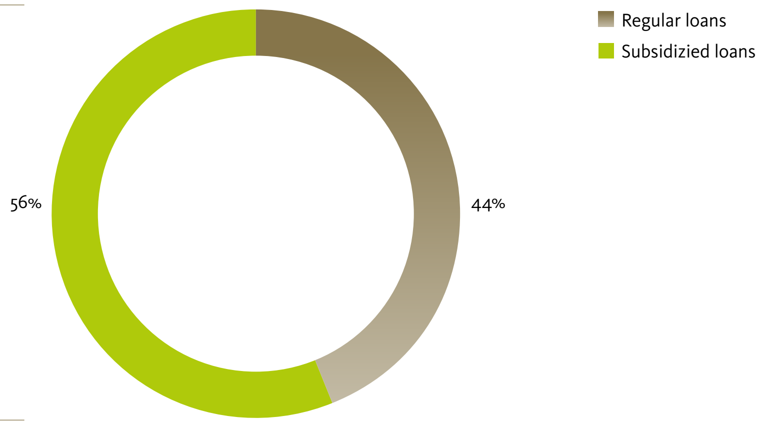


Borrowers participating in the State programs on agribusiness development are eligible for partial compensation of interest rate expenses under the loan agreement. For a borrower to receive compensation from the appropriate budget, a loan must be granted to agricultural producers, farmers, small- and medium-sized enterprises, agricultural cooperatives or personal household plot owners, for the purchase of agricultural machinery or equipment, seeds, fodder, fertilizers or other similar products that are required for seasonal work and other products, in compliance with a list approved by the Russian Ministry of Agriculture. The borrower must also have a good credit history and be in good financial condition. The borrower can receive a subsidy in the next period, only if he has made timely loan payments in previous periods. Subsidized lending is one of the most effective measures to foster agribusiness development and to support agricultural producers.

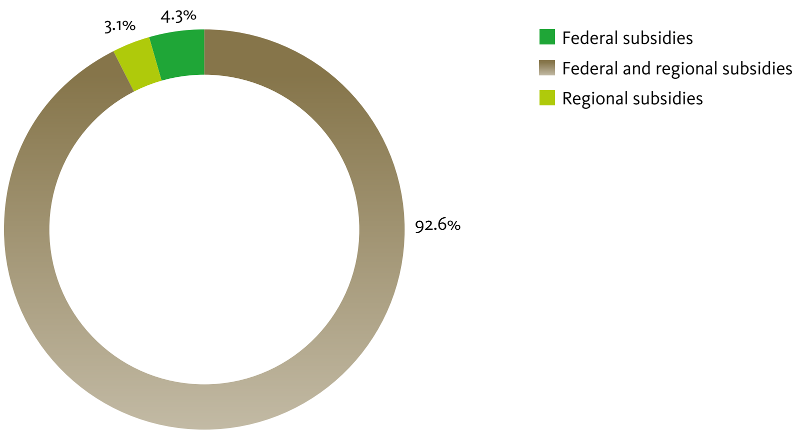
Russian Agricultural Bank is a key participant in federal and regional programs under which agricultural producers receive compensation via a subsidy from federal and regional budgets for a portion of their interest rate costs.

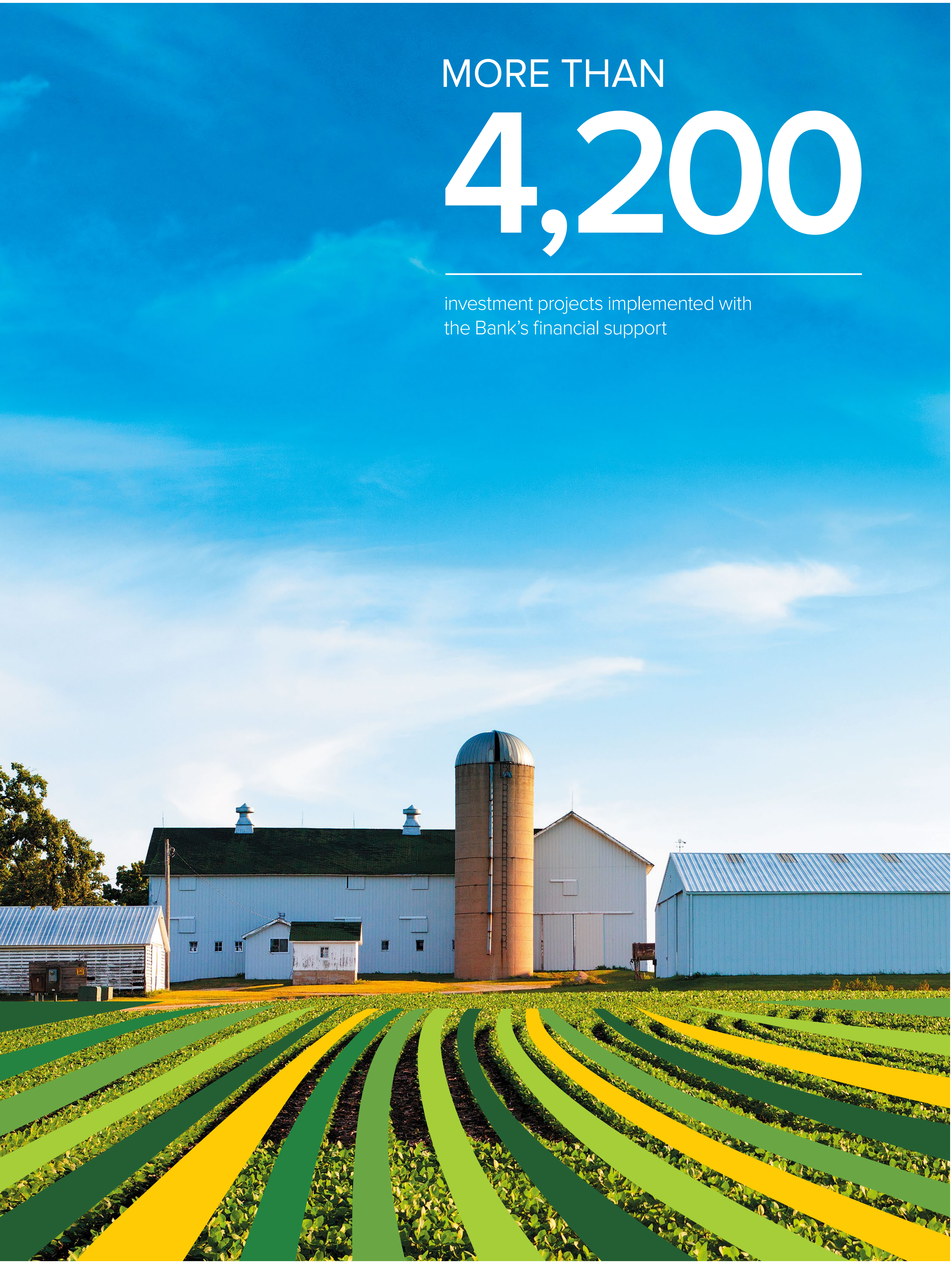
Subsidized loans are granted on the same basis as regular loans. Subsidy availability for the borrower does not require the Bank to approve such a loan. Depending on the purpose of the loan and the borrower category, loans subject to subsidies may have a maturity of up to ten years.

Corporate Loan Portfolio Structure



Subsidy Sources





MORE THAN

4,200

investment projects implemented with
the Bank's financial support

In 2012, the federal budget allocated more than RUB 76 billion (USD 2.5 billion) for compensating borrowers' interest expenses.

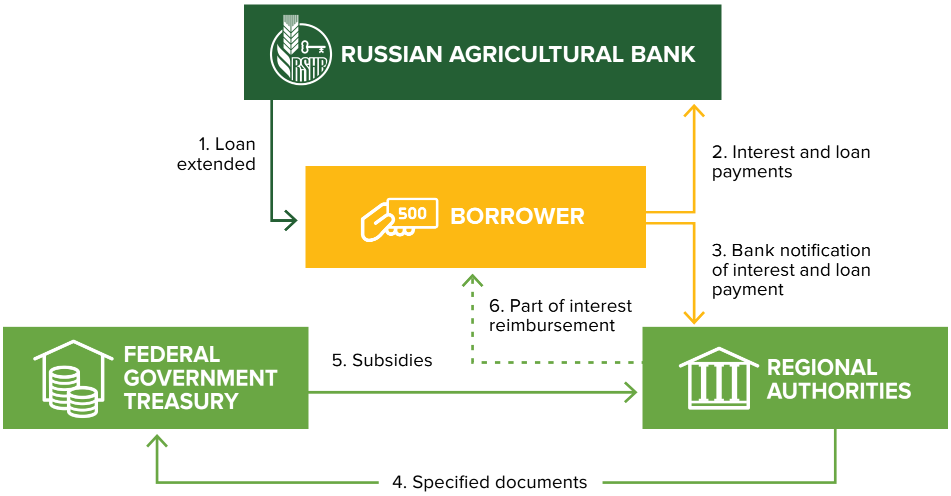
Borrowers are eligible for the following interest rate subsidies:

- Corporate: 2/3 of the Bank of Russia re-financing rate from the federal budget, up to 1/3, but not less than 20% of the re-financing rate from the regional budget.
    - Dairy production — 80% of the re-financing rate from the federal budget and not less than 20% of the re-financing rate from the regional budget;
    - Livestock meat production — 100% of the Bank of Russia re-financing rate from the federal budget and up to 3% over the re-financing rate from the regional budget.
- Individuals and farmers: 95% of the Bank of Russia re-financing rate from the federal budget,and the remaining 5% is compensated by regional budgets.

Subsidy calculations are based on the Bank of Russia re-financing rate, which is currently set at 8.25%.

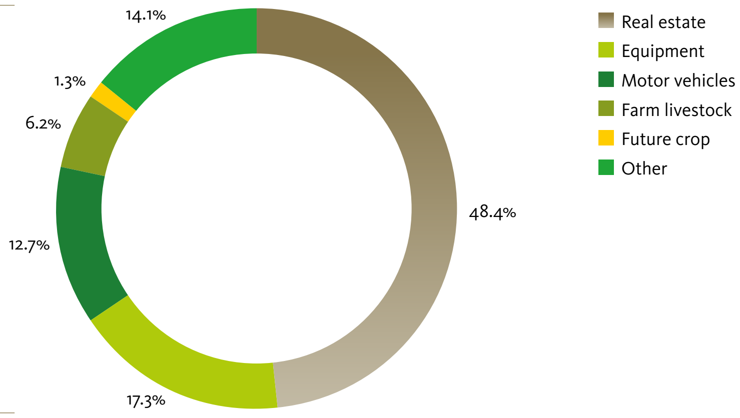
Subsidized lending allows Russian Agricultural Bank to upgrade the quality of its loan portfolio; timely payments on subsidized loans are stipulated in the Law as a condition for the State to compensate borrowers' interest expenses.

Procedure for Subsidized Loans Reimbursement



The Bank's conservative lending policy, coupled with precise criteria for identifying doubtful operations, allowed it to limit non-performing loans to 9.1% of gross loans. The NPL level reflects the impact of unfavorable weather conditions in 2012 on agribusiness and ongoing consequences of the 2009-2010 droughts. Loan loss provisions are maintained at an appropriate level. Provisions are based on estimated future cash flows arising from borrower performance and, if applicable, collateral realization — 99% of the loans are collateralized and 78% of the collateral portfolio is comprised of highly liquid pledge types.

Collateral Structure



Customer Base

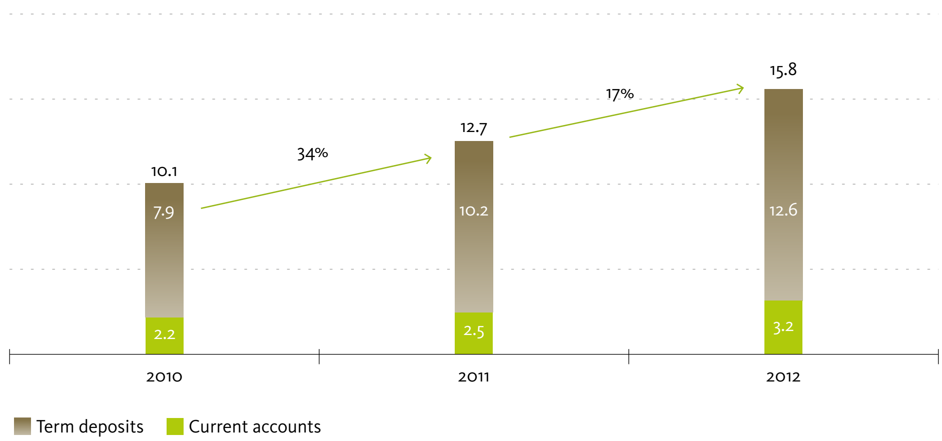
Russian Agricultural Bank offers a wide range of products and attractive solutions in both banking services and in how to conduct business. The Bank does its best to ensure that its customers receive professional advice and dedicated and personalized feedback.

The Bank has a nation-wide network of more than 1,600 points of sale, including in small settlements and remote regions, providing all potential clients with access to financial services. Its customer-focused approach allows the Bank to continuously expand its customer base.

In 2012, customer accounts amounted to RUB 557.5 billion (USD 18.4 billion). This 8.2% decrease compared with 2011 results is accounted for by a planned reduction in funds raised from both federal and municipal organizations.

At the same time, the current and term accounts of private corporate clients grew 13.1% to RUB 292 billion (USD 9.2 billion) and current and term accounts of retail clients grew 24.2% to RUB 188 billion (USD 6.2 billion). In total, funds raised from corporate and retail clients (except for federal and municipal organizations) grew 17.2% and reached RUB 480 billion (USD 15.8 billion). Strong deposit growth enabled the Bank to continue to meet its customers' borrowing demand, leading to higher term lending.

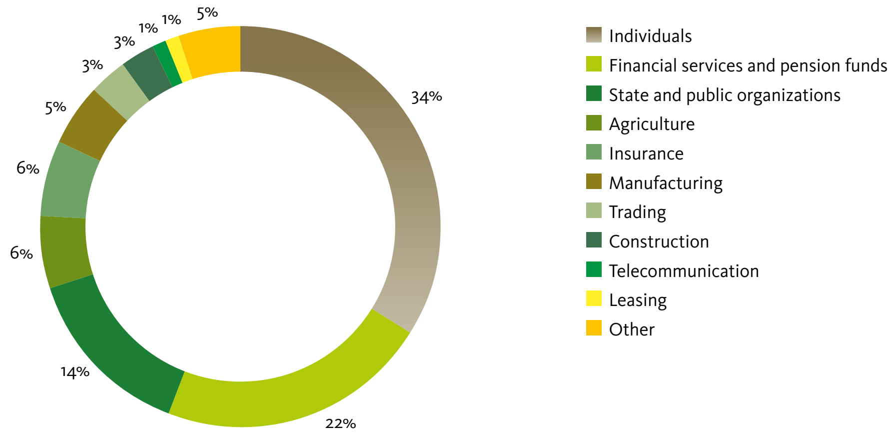
Core Deposit Growth, USD billion



The Bank's stability and reliability as a State-owned institution, together with its competitive products and services and strong regional presence, are highly attractive to Russia's rural population. In 2012, the number of individual clients reached 4.2 million. This figure represents a 27% growth compared with 2011. In 2012, the number of corporate clients stood at 190.1 thousand.

In 2012, the Bank continued to elaborate on and expand its deposit product range and offered several new deposits, including: deposits without options, with partial replenishment and with partial withdrawal from accounts, special deposits opened for the benefit of a child, and deposits for retirees (offering a higher interest rate). Retiree deposits are the most popular program and account for 1/3 of the Bank's liabilities portfolio. The seasonal "130 years of growth" deposit was second in terms of customer demand in 2012.

Customer Accounts by Sector



Thanks to a strong regional presence, Russian Agricultural Bank provides banking services both to Russia's urban and rural population, including for small settlements throughout the country.

Payment Cards

Russian Agricultural Bank, in cooperation with the VISA and MasterCard international payment systems, continued growth in the payment card business. The number of payment cards grew 27.5% (compared with 2011) and reached 2260.5 thousand. Commission income from payment card operations amounted to RUB 1 billion (USD 33 million); this is a 59% growth compared with 2011. Commissions received from the international payment systems reached RUB 368.1 million (USD 12 million).

In 2012, the Bank's acquiring business continued to grow. The number of trade and service enterprises served by the Bank reached 2,792 as of YE2012. Acquiring turnover amounted to RUB 10 billion (USD 330 million) in 2012 as compared with RUB 5 billion (USD 155 million) in 2011.

The number of ATMs increased by 252 and reached 2,892. Operations within the ATM network showed sound growth: ATM cash disbursement — 29.5 million operations in the amount of RUB 148.8 billion (USD 5 billion), a 44% growth compared with 2011; ATM cash deposits — 1.3 million operations in the amount of RUB 7.4 billion (USD 244 million), an 80% growth compared with 2011.

Russian Agricultural Bank is among the most important participants in financial and payment markets. In the mid-term, the Bank intends to become a leading player in developing Russia's national payment system.

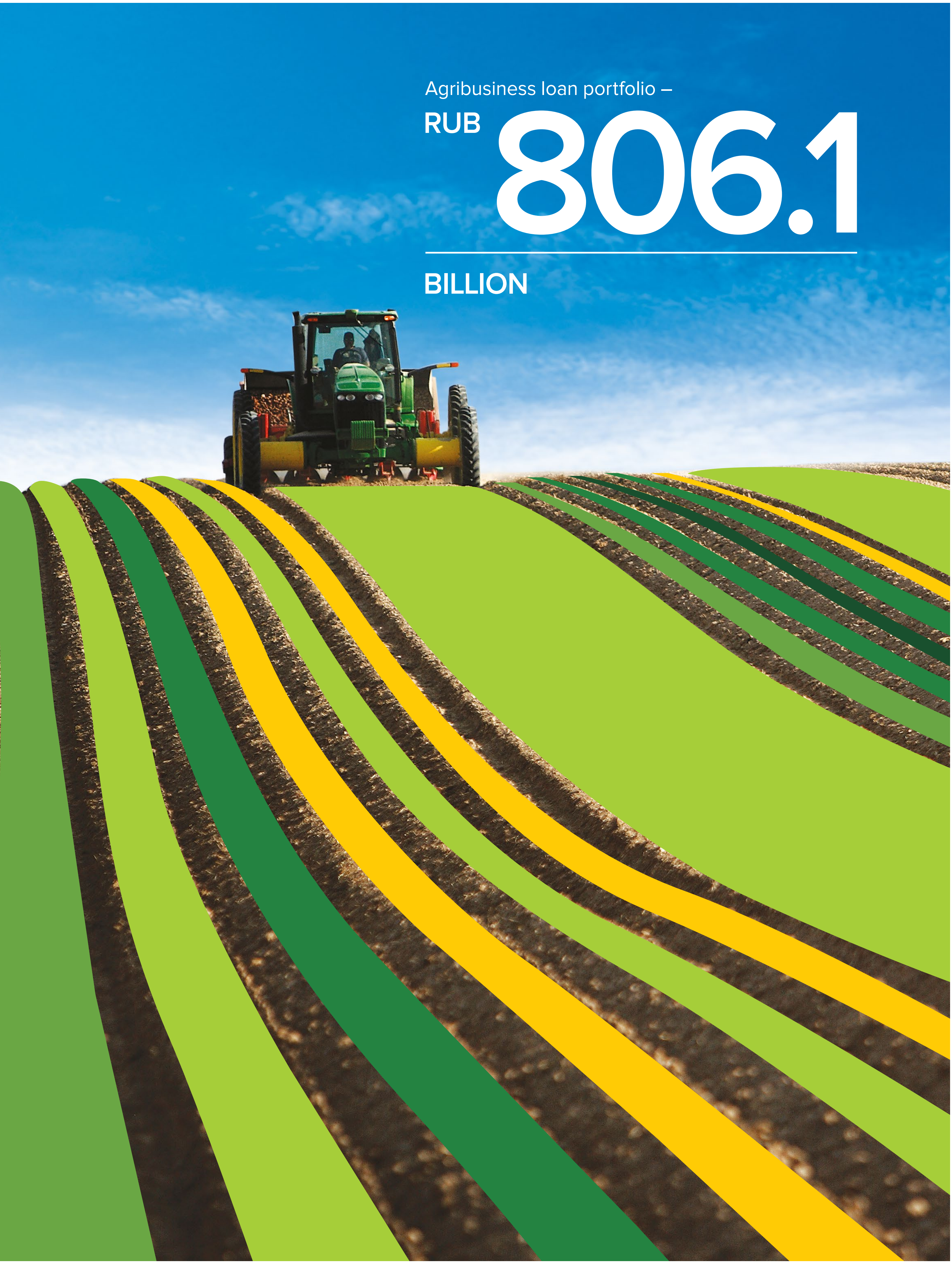
By expanding its payment card business, the Bank increases customers' options, strengthens the loan portfolio and encourages the use of cards as a payment method, thereby playing an important role in replacing check and cash usage in rural areas.

2013 Outlook

Key 2013 targets are:

- Upgrading the quality of the loan portfolio;
- Ensuring a balance between the size and structure of the loan portfolio and funds raised by customers;
- Upgrading operational efficiency and profitability by maintaining the Bank's position in agribusiness financing.

Note: Financial data in this section is prepared under IFRS as of December 31, 2012. All data in percent (%) terms is calculated based on Russian ruble-denominated financial results. Some detailed information on Russian Agricultural Bank's business performance is prepared under RAS as of January 1, 2013.


Agribusiness loan portfolio –
RUB 806.1
BILLION

Contribution to Agribusiness Development

Russian Agricultural Bank plays a fundamental role in financing domestic agribusiness development. The Bank's mission and strategy underline financing and fostering the development of agribusiness (including fishery and forestry enterprises), and the populations of small towns and rural areas as its core goals. The Bank's strategy is consistent with the State Program 2013-2020, which provides measures for the integrated development of agribusiness and related sectors.

Moreover, starting in 2013, the Bank is to become an effective instrument for providing support for national agriculture, forestry and fishery under WTO conditions.

Russian Agricultural Bank plays a major role in implementing federal and regional agribusiness development programs. The Bank has cooperation agreements in place to implement State programs and support agribusiness with the administrations of Russia's republics and regions.

During the past five years, within the framework of the State Program on Agribusiness Development 2008-2012 RUB 487 billion (USD 16 billion) and RUB 243 billion (USD 8 billion), respectively was allocated for agriculture development from the federal and regional budgets, respectively. State support in turn stimulated private investment in the sector. The aggregate investment portfolio reached RUB 1.8 trillion (USD 59 billion). This represents RUB 5 from private sources for every RUB 1 from budget sources.

Within the context of implementing the State Program on Agribusiness Development, as well as other governmental support measures, and despite the global economic crisis, the Russian agricultural sector has demonstrated growth during the past five years. Agricultural production rates reached 116.8%, which includes 114.6% in plant breeding and 114.9% in animal breeding.

State Program on Agribusiness Development

In 2008 – 2012, Russian Agricultural Bank extended RUB 1.7 trillion (USD 56 billion) to implement the State Program on Agribusiness Development 2008-2012.

Starting in 2013, the Bank will become the key financial institution supporting implementation of the State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuffs for 2013-2020.

Major guidelines for the Bank's lending support to agribusiness are determined by its active participation in State Program implementation.

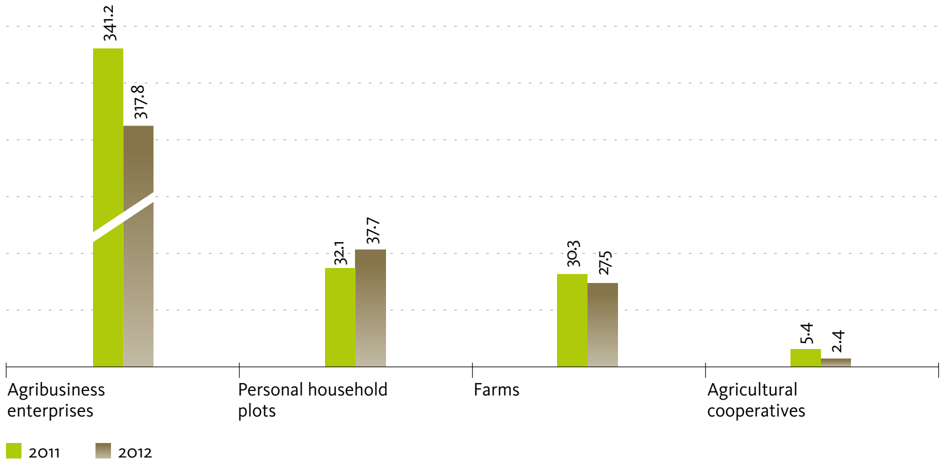
In 2012, the Bank extended 176 thousand loans to the agribusiness sector in the total amount of RUB 385.4 billion (USD 12.7 billion). Short-term loans constituted 60.2% of the total lending volume. The total agribusiness portfolio grew 11.4% to RUB 806.1 billion (USD 26.5 billion) from RUB 723.9 billion (USD 22.5 billion).

As of YE2012, the share of agribusiness loans in the Bank's loan portfolio amounted to 73%.

Within the framework of State Program implementation, the breakdown of loans extended by the Bank was as follows:

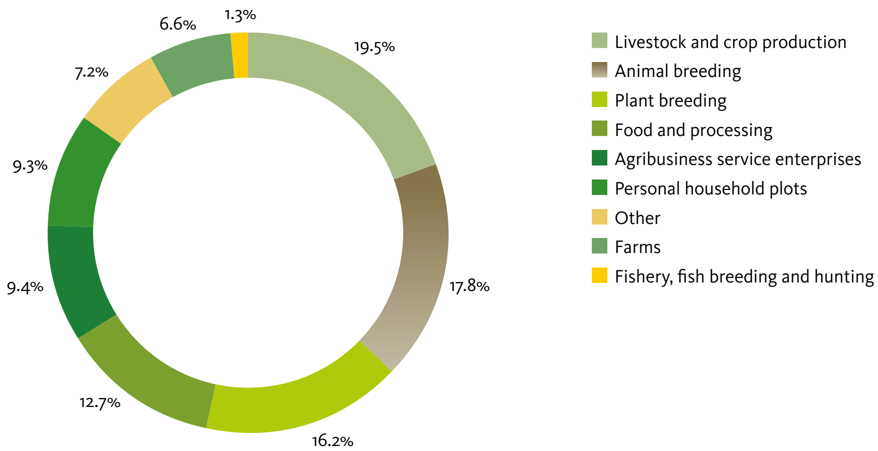
- to agribusiness enterprises — 82.5% or RUB 317.8 billion (USD 10.5 billion);
- to owners of personal household plots — 9.8% or RUB 37.7 billion (USD 1.2 billion);
- to farms – 7.1% or RUB 27.5 billion (USD 0.9 billion);
- to agricultural consumer cooperatives — 0.6% or RUB 2.4 billion (USD 79 million).

Lending to Agribusiness, RUB billion



As of YE2012, 54.8% of agribusiness allocated financial resources were devoted to agricultural producers. The share of loans to personal household plots owners was 9.3%, and to farms — 6.6%. Within the structure of the Bank's financial resources for agriculture, loans to the food and processing industry account for 12.7%, and agribusiness service enterprises — 9.4%.

Structure of Agribusiness Loan Portfolio



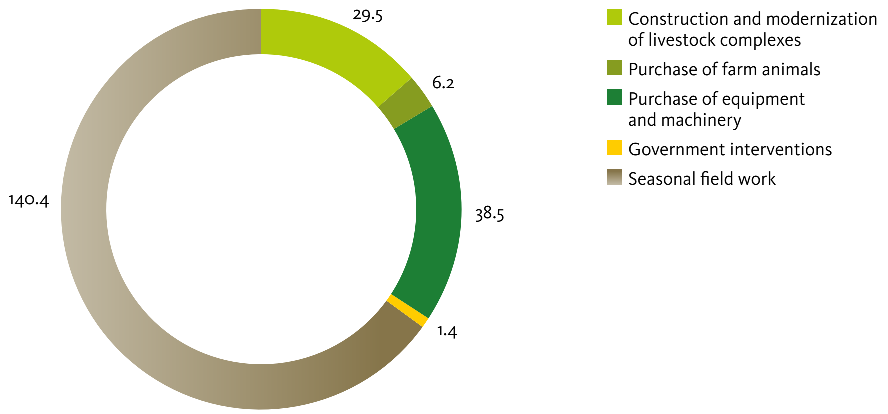
Russian Agricultural Bank is contemplating several major lending directions within the framework of the State Program on Agribusiness Development:

- Financing seasonal field work. In 2012, the Bank issued RUB 140.4 billion (USD 4.6 billion) in loans for this purpose;
- Financing investment projects for constructing and modernizing livestock (including poultry) complexes. In 2012, within this sphere, the Bank extended RUB 29.5 billion (USD 0.8 billion);
- Special corporate lending programs for agricultural equipment and machinery purchases. In 2012, for these purposes, the Bank extended RUB 38.5 billion (USD 1.3 billion) to its customers;
- Financing the purchase of farm animals. For this purpose, during the reporting period, the Bank issued RUB 6.2 billion (USD 204 million) in loans.

During the 2006-2011 period, within the framework of the Priority National Project and implementation of the State Program on Agribusiness Development, Russian Agricultural Bank provided financial resources to enterprises and farmers that allowed for the realization of 4,213 investment projects to construct and modernize livestock (including poultry) complexes and other agribusiness projects, in the total amount of RUB 289.1 billion (USD 9.5 billion).

Personal household owners received 144 thousand loans in the total amount of RUB 37.7 billion (USD 1.2 billion), which represents a 17.7% increase compared with the YE2011 result. The Bank has also extended 10.5 thousand loans in the amount of RUB 27.5 billion (USD 0.9 billion) to farmers.

Agribusiness Lending Breakdown by Loan Purpose, RUB billion



Financing Grain Purchases and Commodity Interventions

Since 2005, in accordance with the Government resolution, Russian Agricultural Bank has executed the function of the State agent and has provided financial resources for grain market purchasing interventions.

Total grain reserves for the 2005, 2008, 2009 and 2011 harvests, allocated in the federal intervention fund, stood at 3,827.4 thousand tons with a total value of RUB 18.2 billion (USD 599 million) and were allocated in 46 Russian constituent entities. Food grain stocks made up 91% of the reserves, feed grains — 9%.

Ensuring the Repayment of Outstanding Loans

Since 2002, Russian Agricultural Bank has acted as a State agent for recovering loans from legal entities, constituent entities and municipalities in favor of the Russian Federation.

In 2012, the Bank maintained analytical records on 179 liabilities in the total amount of RUB 1.23 billion (USD 40 million) and also conducted the required actions to establish the claim of the Russian Ministry of Finance on 472 debt liabilities of borrowers with a principal outstanding debt of RUB 1.4 billion (USD 46 million).

The Bank submitted 14 claims to institute enforcement proceedings and to seize the borrower's property. The Bank has interacted with bailiff services to control 95 enforcement proceedings against borrowers.

In total, the Bank enforced the recovery of RUB 7.3 billion (USD 240 billion) (including RUB 14.8 million (USD 0.5 million) in 2012) during the 2002-2012 period.

Financial Rehabilitation of Agribusiness Enterprises

Since 2002, Russian Agricultural Bank has implemented governmental policy on the financial rehabilitation of agricultural producers. Within the framework of implementing its State agent function, the Bank provides for the following: monitoring financial standing by regions and by participating borrowers; and maintaining analytical records on the Bank's Program implementation for the Russian Ministry of Agriculture.

The volume of financial support for companies involved in financial rehabilitation programs is constantly increasing. Thus, the loan portfolio of agricultural producers participating in the financial rehabilitation program increased RUB 4 billion (USD 132 million) and amounted to RUB 51.2 billion (USD 1.7 billion) during the reporting period.

Outlook for 2013

The Bank's long-term guidelines are defined taking into account core targets of the Bank's Strategy, Russia's Food Security Doctrine, and State Program on Agribusiness Development 2013-2020, which stipulate Russia's agribusiness development, including:

- Increasing the returns of agricultural producers – a condition for transitioning to the innovative model of agribusiness development;
- Developing all types of small businesses in rural areas, including supporting start-up farmers;
- Providing for the sustainable development of rural areas;
- Developing cooperation and integration in rural areas.

Therefore, as the key financial institution for implementing both federal and regional government programs, the Bank intends to grow its share in lending to agribusiness, and the fishery and forestry sphere.

In addition, the Bank will become an effective mechanism for supporting agribusiness, rural areas, and the fishery and forestry sphere under WTO conditions.

Note: Financial data in this section is prepared under RAS, as of January 1, 2013.

International Operations

Russian Agricultural Bank is widely recognized as a highly reliable banking partner to major financial institutions around the world. Its transparency has been hailed by the world's leading rating agencies. The Bank's international experience, diversified investor base and strong governmental support have helped strengthen its positions on the global market.

Russian Agricultural Bank is ranked 159th by capital in the World Top-1000 bank rating (in the July 2013 issue of The Banker magazine). The Bank is No. 4 among Russia's largest banks, as well as among Central and Eastern Europe's largest banks.

International operations have become an essential component of the Bank's business. In today's global economy, Russian Agricultural Bank intends to keep pace with global financial market developments.

Russian Agricultural Bank maintains strong relationships with all international financial market participants. International operations are an organic part of the Bank's business model. Russian Agricultural Bank sees the development of international operations as a crucial investment in future success.

The Bank has demonstrated efficient commercial performance in most of its international business lines via the development of relationships with foreign financial institutions, investors, correspondent banks, export credit agencies and foreign agribusiness producers. In 2012, the Bank won the prestigious STP Award (given by VTB (Deutschland) AG) in recognition of operational excellence in Euro payments processing.

Ratings

The Bank's operating results translate into ratings assigned by the international rating agencies Moody's and Fitch Ratings, which regularly assess the Bank's financial standing. The Bank's ratings are quasi-sovereign and are investment grade.

*Fitch Ratings**		*Moody's Investors Service*	
Long-term Issuer Default Rating	BBB	Long-term Deposit Rating (placed on review for downgrade)	Baa1
Short-term Issuer Default Rating	F3	Short-term Deposit Rating (placed on review for downgrade)	Prime-2
National Long-term Rating	AAA(rus)	National Scale Long-term Rating	Aaa.ru
Support Rating	2	Bank Financial Strength Rating	E+
Viability Rating	b	Long-term Foreign and Local Currency Senior Debt Rating (placed on review for downgrade)	Baa1
Senior Unsecured Debt Rating	BBB		
Subordinated Debt Rating	BBB-	Long-term Subordinated Debt Rating (placed on review for downgrade)	Baa2

* Ratings placed on Rating Watch Negative (RWN)

Share of agribusiness in the Bank's loan portfolio —

73%

Capital and Money Markets

Russian Agricultural Bank is an active player in both international and domestic capital markets. The Bank offers a comprehensive range of debt instruments to reduce risks by placing funds in the market and to raise additional funds, via: REPO operations, ruble-denominated bonds, loan participation notes, government and municipal debt securities, corporate debt securities, and promissory notes and equities.

In 2012, the Bank arranged several successful borrowings:

- In February 2012, Russian Agricultural Bank placed two series of local exchange bonds in the total amount of RUB 10 billion. The maturity of each series is 3 years, with a coupon of 8.20% per annum and a put option in 1.5 years;
- In February 2012, the Bank successfully priced a ruble-denominated Eurobond issue in the amount of RUB 10 billion and in July 2012 placed a tap to this issue for an additional RUB 10 billion. The issue was placed at 101.0% to par value. The offering size totaled RUB 20 billion at an 8.625% coupon rate, maturing in February 2017;
- In April 2012, the Bank attracted RUB 10 billion through the issuance of local bonds with coupon of 8.55% per annum and a 10 year maturity with a 3-year put option;
- In June 2012, Russian Agricultural Bank priced a USD 500 million Eurobond issue. In July 2012, the Bank successfully placed a USD 350 million tap and in August 2012, an additional USD 450 million to the above-mentioned Eurobond issue. The total amount of the initial issue reached USD 1.3 billion. The issue matures in December 2017, and has a coupon of 5.298% per annum, which is payable semi-annually;

  Russian Agricultural Bank was the first Russian bank to enter the primary market after the escalation of the European debt crisis. The issue achieved strong investor demand, which was 5 times more than the initial size of the offering, demonstrating strong confidence in the Bank. Despite significant market volatility, the Bank managed to lower the initial price guidance and set the annual coupon at a historic record low for the Bank`s USD-denominated public borrowings;
- In August 2012, the Bank priced CHF 450 million Eurobonds (placed at par value) maturing in August 2015 with an annual payment of coupon at 3.125% per annum;
- In October 2012, Russian Agricultural Bank issued RUB 15 billion through two local bond series (placed at par value) maturing in October 2022, with a semi-annual payment of coupon at 8.35% per annum.

Investor Relations

Reliable investor relations are essential to broaden global capital market access. Russian Agricultural Bank maintains contacts with its investors, ensuring that they receive in-depth information on the Bank's business activities. The Bank's IR policy prioritizes information availability on the Bank's business development and future outlook. Carrying out a policy of openness and transparency, the Bank ensures that its investors have accurate and complete information about the Bank, encouraging the creation of strong and long-lasting relationships.

In 2012, Russian Agricultural Bank conducted numerous investor relations events, including a series of road shows and non-deal road shows, along with the regular release of financial reports. In addition to numerous discussions with investor groups and one-on-one meetings, the Bank regularly holds due diligence meetings.

Russian Agricultural Bank's international website provides its investors with access to the Bank's information and documents which are subject to disclosure, including: statutory documents, internal regulations and policies, annual reports, financial statements (both consolidated and interim), rating information, material facts and other relevant data.

These transparency measures facilitate fostering stable relationships with the international banking community.

Correspondent Relations

Russian Agricultural Bank has a strong and reliable correspondent bank network — made up of more than a hundred banks worldwide. The Bank guarantees strict compliance with its obligations (covenants) which are assumed under both domestic and international agreements.

To strengthen and expand correspondent relations with both domestic and foreign financial institutions during the reporting period, the Bank has:

- Opened 22 loro accounts, the total number of correspondent accounts exceeds 100;
- Opened 3 nostro accounts, the total number of correspondent accounts in the Head office stood at 70;
- Signed 14 inter-bank cooperation agreements on the inter-bank and foreign exchange markets. Currently, the Bank has more than 200 such agreements;
- Carried out processing center modernization and optimized clients' payment routing through the Bank's settlement system. As a result of the expansion of correspondent relations with both domestic and foreign financial institutions in 2011 and the completion of the first stage of processing center modernization in 2012, the number of payments routed by the Bank through its own correspondent network has increased more than 48 times, allowing the Bank to place 192nd in terms of the volume of payment traffic within the global Top-200 banks ranking, according to SWIFT;
- Signed 9 agreements for securities market transactions, the number of master agreements reached 65 by year-end;
- 6 correspondent banks that opened loro accounts in the Head office were involved in the Bank branches' cash services program;
- To further develop and enhance joint business opportunities, two confidentiality agreements were signed with top-ranked Russian and international financial institutions;
- Issued medium-term (1-2 year) inter-bank loans totaling USD 225.5 million, including the Bank's participation in three syndicated loans extended to Russian and foreign financial institutions in the amount of USD 10 million per loan.

In 2012, Russian Agricultural Bank continued to further expand its limit transactions with both Russian and foreign financial institutions:

- The number of counter-parties/issuers with established limits grew 12%. Limits were established for 23 new counter-parties/issuers. In total in 2012, the Bank has established or revised limits on 184 counter-parties/issuers;
- Established new types of limits for direct REPO and term FX transactions, as well as limits on securities portfolios.

Trade and Structured Finance

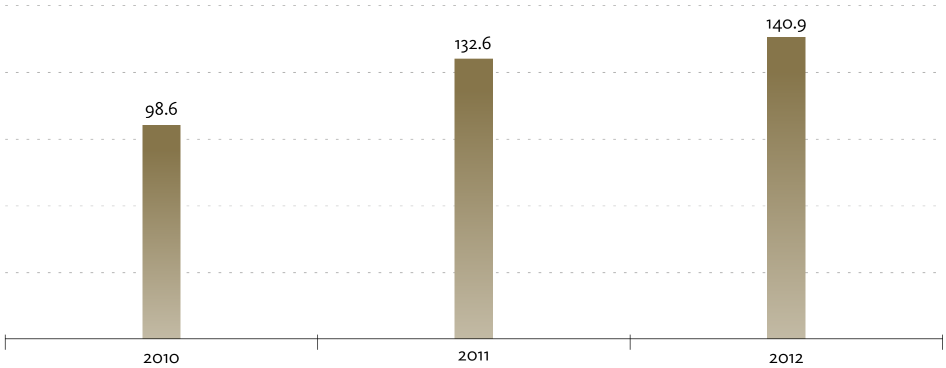
During the reporting period, in light of objectives set by the Russian Government for agricultural producers to increase the share of exports of agricultural products and derivatives, Russian Agricultural Bank has ensured the availability of financial resources for export agribusiness enterprises.

To facilitate the expansion of supply for Russian export products, the Bank organized a special service for export deliveries for domestic producers operating in various industries.

In 2012, the Bank financed the supply of fertilizers produced in Russia in the total amount of USD 123.8 million, under the current Master Agreement with its counter-parties. Transactions were implemented using trade finance instruments.

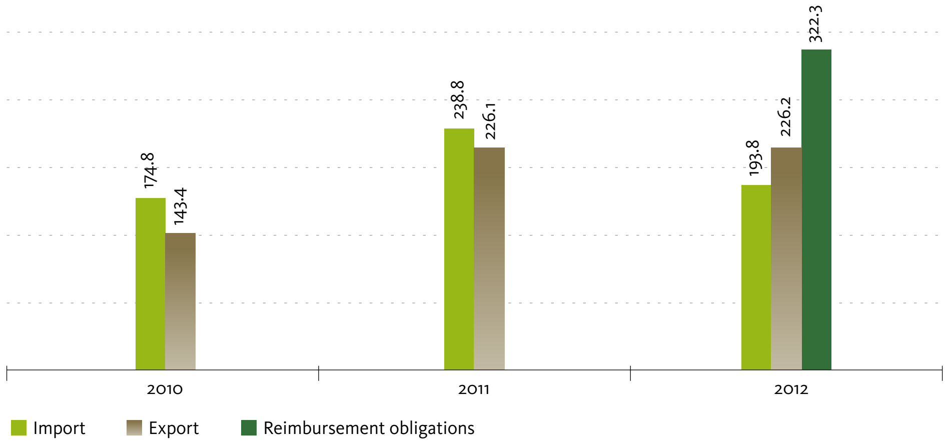
The Bank is currently intensifying its activity within the import-export financing sphere and cooperates with leading global export credit agencies to cover risks. ECAs provide government-backed loans, guarantees and insurance coverage against both commercial and political risks. As of now, Russian Agricultural Bank is accredited by and maintains relationships with major ECAs worldwide.

2010-2012 Russian Export Financing Volume, USD million



In 2012, Russian Agricultural Bank set up 182 import letters of credit in the amount of USD 193.8 million and advised on 98 export letters of credit in the amount of USD 226.2 million, which were issued by foreign banks in favor of the Bank's clients and also advised on 97 guarantees totaling USD 115 million. In addition, during the reporting period, the Bank carried out 71 operations for the reimbursement of letters of credit issued by counter-party banks for more than USD 322 million.

The Volume of Foreign Trade Transactions with Letters of Credit (as the settlement form) in 2010-2012, USD million



Structured finance transactions ensure highly efficient banking operations, because they do not multiply national currency inflation. Project finance transactions are an additional source of non-interest income for the Bank.

During 2012, the Bank implemented 73 structured finance transactions in the amount of EUR 34.6 million, USD 24.8 million and RUB 2.2 billion with the largest international financial institutions, including: LBBW, Citibank Europe Plc., Commerzbank AG, Landesbank Berlin AG and WestLB AG, as well as with numerous domestic banks.

International Cooperation

Russian Agricultural Bank participates in numerous inter-governmental commissions and is a member of international business councils, which allows the Bank to establish new business contacts and strengthen existing relationships with international organizations and investment funds, while at the same time obtaining and analyzing the latest market intelligence.

The Bank is an active member of the following organizations: the Association of Russian Banks, the Association of Regional Banks of Russia, the US-Russia Business Council, the Canada Eurasia Russia Business Association (CERBA), the Russian-Chinese Business Council and the International Confederation of Agricultural Credit (CICA), which enhances the Bank's potential to further develop its business and fosters international cooperation in agribusiness lending.

Russian Agricultural Bank participates in bilateral inter-governmental commissions on economic, scientific and technological cooperation, as well as on trade and economic cooperation. The Bank's participation in these commissions expands its opportunity for involvement in the global economic environment and for additional international partnerships.

Cooperation with the Bank's foreign partners in the professional training and experience exchange sphere contributes to introducing new practices, tools and innovative technologies. Russian Agricultural Bank representatives also participate in international financial congresses, conferences, forums and meetings, which allow the Bank to obtain information on various innovations and banking sector best practices and contribute to further strengthening and developing bilateral cooperation with counter-party banks around the world.

Controls and Procedures

Russian Agricultural Bank understands that risk is inherent in every material business activity that the Bank undertakes. Russian Agricultural Bank has established an ongoing process for identifying, evaluating and assessing, controlling and mitigating risks faced by the Bank. The process also includes enhancing the Bank's internal control system to accommodate changes in either the business environment or regulatory guidelines.

Risk Management

The Risk Management Process

The comprehensive approach to risk management adopted at Russian Agricultural Bank assumes that the Bank's risk management system is regularly reviewed with respect to compliance with business development and international best practices. This allows the Bank to maintain an appropriate risk-reward balance.

The goal of the Banks's Risk Management Policy is to ensure that the aggregate risk undertaken by the Bank does not exceed levels set in accordance with approved strategic tasks. The priority is to ensure the maximum preservation of assets and capital by minimizing risk exposure, which can lead to unforeseen losses.

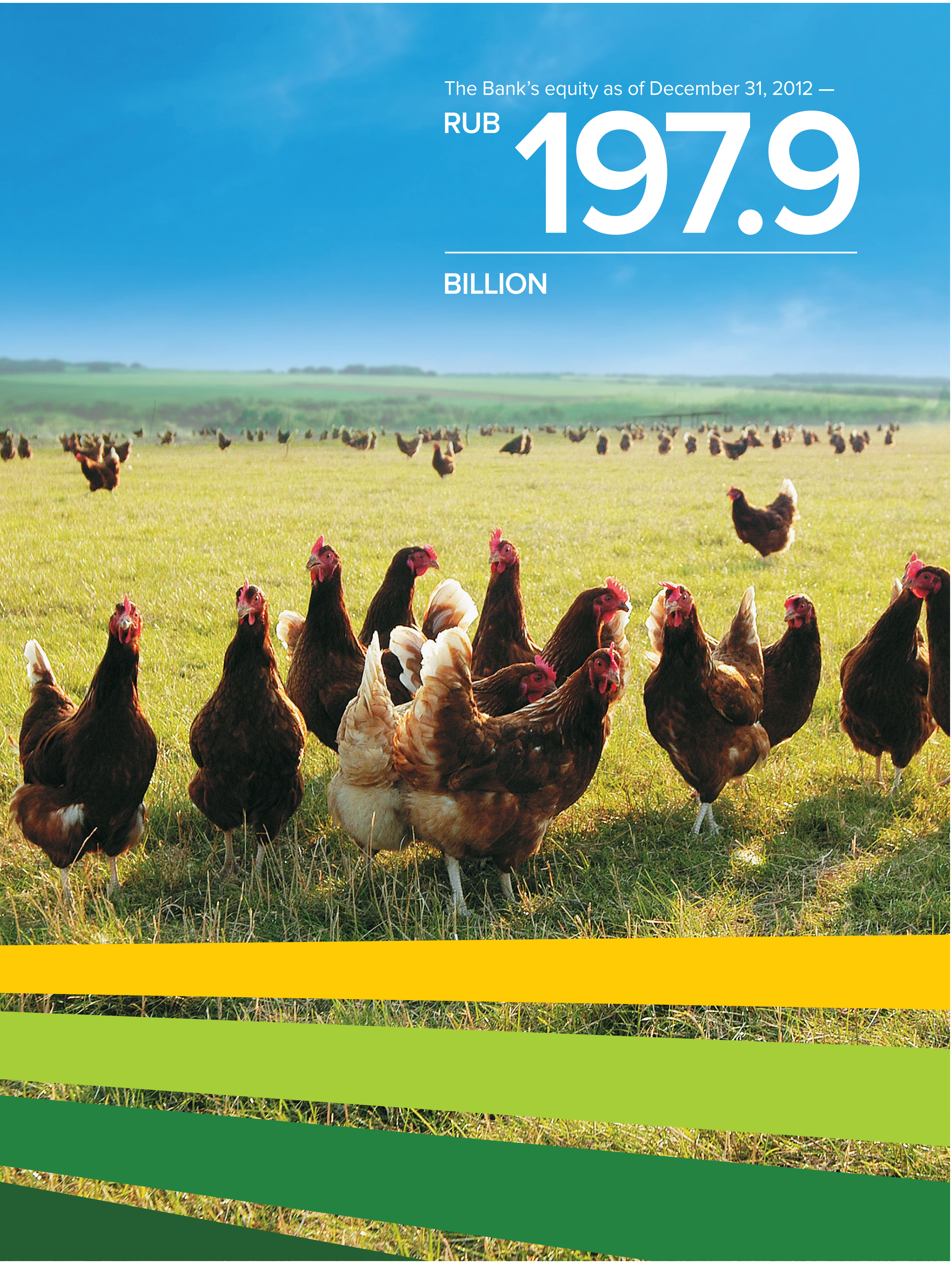
The Bank's Supervisory Board approves the in-house risk management policy and is generally responsible for creating and monitoring the functioning of the Bank's risk management system. Decisions relating to significant risks also fall within the limits of its authority. The Audit Committee assists the Supervisory Board in the oversight of the overall effectiveness of the risk management and internal controls system.

The Bank's Management Board monitors the functioning of the risk management system, approves documents and procedures for identifying, evaluating, and determining the risk tolerance level, and the selection of response actions — acceptance, limitation, re-allocation, hedging, and avoidance — and the monitoring thereof.

Day-to-day risk management is carried out by the Bank's Management Board, the Chairman of the Management Board, and special collegial bodies and groups, as well as by certain internal divisions and officials within their authorities.

The Risk Management Department and the Risk Control and Assessment Services in the Bank's branches are responsible for risk evaluation and control and carry out their functions independently from business units. The Risk Management Department is responsible for implementing the principles and methods for identifying, evaluating and monitoring financial, as well as operational, risk, including at the branch level.

The Bank's authorized bodies review the Bank's performance on a regular basis, and approve and adjust measures to identify and minimize negative consequences at an early stage.


The Bank's equity as of December 31, 2012 —
RUB 197.9
BILLION

2012 Developments

In 2012, the Bank, with a view to promoting stable operations, continued comprehensive risk management development within the framework of the Plan approved by the Management Board. In 2012, a number of measures that ensured the gradual improvement of the risk management system were implemented.

As part of upgrading the credit risk process, Russian Agricultural Bank has developed a special rating system for evaluating different borrower types, including: banks, sub-sovereign entities, and farmers. The Bank has introduced a series of measures to strengthen work with problem loans and to create an infrastructure that provides for all possible ways to work out problem loans. The Bank invited an experienced consultant with international market expertise to work with them on the above-mentioned purposes.

The Bank has a multi-tier limit system for accepting different types of risk. The Bank constantly monitors its counter-parties' creditworthiness and develops recommendations on changing existing limits and transaction parameters. With a view to upgrading efficiency, the Bank has elaborated on a target limit system with an optimized structure of the Bank's limit system, limit setting and calculation procedures. Currently, system implementation is under way.

As part of financial market risk management, the Bank has upgraded the process of follow-up limit control related to foreign exchange and money market operations. With the purpose of upgrading efficiency and the comprehensive control of the credit level and market risks, in 2012, the Bank put into operation an automated module for foreign exchange and money market limit control.

The Bank's branches have set up Risk Control and Assessment Services to independently carry out in-field control of the risk level accepted by branches and additional offices. During 2012, branch risk officers were given additional authority to make client-lending decisions.

During the reporting period, with a view to enhancing operational risk management, the Bank continued its work to upgrade methodologies that are compliant with Bank of Russia and Basel II recommendations. The Bank also undertook measures to prepare for the introduction of the integral industrial IT solution for operational risk management.

As part of evaluating the overall impact of risks on its business, the Bank updated stress-testing scenarios. In particular, the Bank upgraded approaches to projecting adverse stress changes given current market and economic conditions.

2013 Plans

Upon Plan completion, the Bank intends to bring risk management to a new qualitative level.

The 2013 Plan envisages:

- Further elaboration and implementation of internal credit rating models (the IRB-approach), in particular for corporate borrowers with the involvement of an outsourced consultant with international market expertise. These models optimize credit risk procedures and segment the corporate loan portfolio by credit risk levels;
- Further shift to a comprehensive risk control system, including: upgrading the limit policy and continuing to implement the target limit system, which is aimed at optimizing the Bank's limit structure, limit setting and calculation procedures.

Russian Agricultural Bank proposes to undertake the following measures in 2013:

- Increase the timeliness and comprehensive control of market risks, accepted by the Bank. In particular, the Bank plans to start applying a limit control module in foreign exchange and money markets. The Bank also plans to expand the functionality of the automated system for managing operations in the securities market;
- Increase the efficiency of procedures for identifying, analyzing and evaluating information on operational risk and losses incurred as a result of the Bank's exposure to said risks;
- Elaborate on timely measures for minimizing operational risks and the consequences of their occurrence. Consistently, the introduction of an integral industrial IT solution for operational risk management is one of the Bank's priorities.

Upon Plan completion, Russian Agricultural Bank envisages the system transitioning to a new quality level. Given appropriate technology and organizational infrastructure, the Bank's risk management can be (to the maximum degree possible) brought into line with best international practices and Basel II requirements. These changes will lead to the Bank's increased financial stability and investment attractiveness in line with its long-term strategy.

Risk Profile

Credit Risk

Credit risk is the risk of losses arising as a result of the failure to perform or the inappropriate performance by the borrower of his/her financial obligations to the Bank. Efficient credit risk management is achieved through the balanced distribution of decision-making authorities among the Bank's management bodies.

Credit risk is evaluated by breaking down certain asset portfolios, which are exposed to this type of risk, by counter-parties' (groups of counter-parties) credit risks, as well as by countries and industries. Individual counter-party risks are assessed based on the comprehensive and objective analysis of the counter-party's business, taking into account his creditworthiness, cash flows, management, and other relevant available information.

When implementing its lending and investment programs, the Bank places a priority on agricultural business, as well as on related sectors. As of January 1, 2013, agribusiness' share in the Bank's loan portfolio amounted to 73 percent.

The Bank manages risk concentration in its loan portfolio by setting limits on lending operations by regions, and types of loans, as well as by single-name borrowers (groups of related borrowers).

When implementing its lending and investment programs, the Bank prioritizes the agricultural industry and related sectors that service the needs of agricultural producers. In doing so, industry concentration risks are mitigated by:

- Lending to the whole value creation chain (production, storage, processing and sales);
- Different specializations of borrowers in different regions;
- The combination of several production types by agricultural producers within one enterprise;
- Diversification by investing in highly efficient and sustainable projects in other economic spheres;
- Exposure to a single-name borrower.

To minimize risks, the Bank applies certain types of loan security in the form of property and property rights pledges.

Loan portfolio concentration at the branch level is capped at 15 percent of the Bank's total loan book. This ratio is highest in the Krasnodar branch and stood at 6.6 percent as of January 1, 2013. As of January 1, 2013, the Bank was also in compliance with the Bank of Russia ratio for the maximum risk per group of related borrowers.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will be unable to meet its obligations in a timely and complete manner. The Bank is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing inter-bank loans (deposits), term deposits and issued securities, loan drawdowns, and guarantees, as well as from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum re-investment level for maturing funds can be predicted with a high degree of certainty.

The Bank manages liquidity risk by:

- Evaluating and analyzing the Bank's correspondent current account balances;
- Setting and controlling balance sheet structure ratios;
- Analyzing actual values and the dynamics of liquidity indicators - set by the CBR and internal, as calculated by the Bank itself;
- Evaluating the Bank's exposure to risks when attracting and placing funds, as well as conducting an asset and liability maturities mismatch analysis (GAP-analysis).

To control the Bank's liquidity position, the Assets and Liabilities Management Committee (the ALCO) has determined a set of ratios, restricting the level of the Bank's exposure to assets that mature either in less than 90 days or in more than 1 year.

Information on the structure and maturity gaps of financial assets and liabilities is used to maintain sufficient liquidity. For this purpose, the Bank's Treasury maintains an appropriate short-term liquid assets portfolio, which mainly comprises liquid trading securities, deposits with banks and other inter-bank market instruments.

As of January 1, 2012, the Bank complies with Bank of Russia liquidity ratios.

Liquidity management carried out by the Bank ensures compliance with regulatory ratios, and stable business performance, including: the optimized utilization of current facilities, the maintenance of medium-term liquidity and, in terms of strategic planning, the identification of long-term funding requirements.

The Bank will closely monitor the credit risk level in its corporate loan portfolio and will further diversify its funding base to ensure compliance with both medium- and long-term liquidity targets.

Market Risk

Market risk is the risk of losses arising from unfavorable changes in the market value of financial instruments in the Bank's trading portfolio and derivative financial instruments, as well as in foreign currency and precious metals exchange rates.

The Bank takes on market risk exposure via its open positions in (a) currency, (b) interest and (c) equity products.

The Bank manages market risk by:

- Setting and controlling structural and position limits, as well as stop-loss limits;
- Diversifying and hedging accepted risks;
- Conducting prior planning and preparing measures aimed at minimizing losses in case of unfavorable changes.

The Bank's authorized bodies perform a qualitative evaluation of market risk via an expert analysis method.

The Bank makes a daily assessment of equity, currency and interest rate risks arising from market uncertainty via VAR (Value-at-Risk) analysis, which represents a statistical assessment of the maximum losses for a given time period with a specified confidence level. In addition to VAR, the Bank also calculates the ES indicator (the Expected Shortfall), which represents the monetary value of expected losses in case of excess VAR.

As of January 1, 2013, the Bank's exposure to market risk in its securities portfolio, relative to total equity, was insignificant.

Currency Risk

Currency risk is the risk of incurring losses due to unfavorable changes in the foreign currency and precious metals exchange rates via open positions in foreign currencies and/or precious metals.

The Bank manages currency risks by identifying operations that impact the Bank's currency position, evaluating and analyzing the structure of assets and liabilities in foreign currencies, and regulating and setting limits for the execution of certain operations which involve currency risk, as well as their hedging. The Bank enters forward, SWAPs and other types of derivative financial instruments, which are designed to effectively hedge currency risk.

As of January 1, 2013, the Bank was in compliance with all CBR ratios that regulate currency positions.

Interest Rate Risk

Interest rate risk is the risk of incurring losses due to an unfavorable change in the interest rates for assets, liabilities and off-balance sheet instruments.

The interest rate risk for the assets and liabilities structure is assessed based on analyzing maturity gaps between interest sensitive assets and liabilities, the effects of market rate fluctuations and forecast market rate dynamics.

The principal method for measuring interest rate risk is evaluating gaps between the Group's assets and liabilities which are sensitive to interest rate level changes - the GAP method. Furthermore, the Bank analyzes and assesses actual values and dynamics for interest rate risk measurements - the coefficient method.

Moreover, the Bank evaluates the interest rate risk at the level of certain operations by analyzing expected cash flow changes in the case of changes in market conditions, financial positions and / or actions undertaken by the Bank's clients and/or counter-parties.

The Bank's exposure to interest rate risk (as of January 1, 2013) was within limits set by the Bank of Russia.

Equity Risk

Equity risk is the risk of incurring losses due to unfavorable changes in the market price of the equity trading portfolio and derivative instruments (due to the impact of issuer-related factors and general market price volatility).

The Bank employs a system of mitigating equity risk, comprising limits set for the securities portfolio and sub-portfolios, as well as aggregate limits for the trading portfolio, meaning first and foremost, stop-loss limits.

Operational Risk

Operational risk is the risk of loss(es) resulting from inadequate or failed internal processes, and people and systems, or external events.

The qualitative evaluation of the operational risk level is carried out via expert analysis. Operational risk monitoring is carried out by the Bank's divisions, including at the branch level, on a regular basis by applying the warning signals system.

Russian Agricultural Bank maintains a database that accumulates comprehensive information on operational risk events and related losses, their types and amounts, and the dates of loss occurrence (recovery).

The Bank also monitors legal, reputational and strategy risks.

The established risk management framework ensures an optimal risk-reward balance, which is aligned with long-term strategic objectives, in particular, the preservation of the Bank's assets and capital.

Internal Control

Internal Control ensures that rules and regulations regarding security and risk management (as set by corporate management) are incorporated into the Bank's business procedures.

The Bank follows the independence principle of the Internal Control Service, which reports directly to the Supervisory Board and makes recommendations on the efficiency of risk management procedures, complies with regulators' requirements, and reports the timeliness, reliability and economic efficiency of operations.

The Internal Control Service annually draws up an audit plan comprising a revisions schedule based on the adopted methodology of the Bank's risks and internal controls assessment, which takes into account changes in the Bank's internal control system and new business segments.

The plan necessarily includes audits of branches that are exposed to increased risk levels, and carry a significant amount of loans on their balance sheet. The Head office audit plan comprises audits of business processes that involve: high credit, market, and operational and reputational risks. On a monthly basis, the Internal Control Service carries out audit reviews of the functioning of internal controls over credit operations.

In 2012, internal auditors at the Head office-level conducted 115 audits (including: 91 planned and extraordinary audits of branch operations), 17 planned and extraordinary audits in Head office departments, 6 audits of the Bank's subsidiaries, and 1 audit of a Representative office.

Branch-level internal auditors carried out 2,425 audits of branches and additional offices during 2012, including end-to-end checks in the following directions:

- Credit operations;
- Operations with payment cards;
- Information technology;
- Human resources management;
- Anti-money laundering and terrorism financing measures;
- Internal economic transactions.

On an ongoing basis, the Internal Control Service monitors the Bank's operations in the financial market, including changes in internal and external regulations, compliance with set limits, proprietary securities transactions, and brokerage operations.

The internal auditor, within the sphere of financial market operations, has carried out a compliance audit with the qualification requirements of Russian legislation by employees executing financial market operations and checks on the Bank's compliance with Russian legislation and Federal Financial Markets Service regulations.

In addition, the internal auditor of financial market operations carried out the following checks:

- Routine monitoring of the Bank's operations in financial markets as part of controlling the deal's pricing aspects, economic efficiency and substantiation (including: re-purchase agreements), the analysis of large-scale and back-to-back transactions, and the correct maintenance of internal and depositary registers;
- Regularly auditing the reliability and timeliness of the Bank's reports as a professional securities market participant, as well as the adequacy of provisions for possible losses from securities transactions;
- Controlling legislative compliance on the use of insider information and market manipulation.

Regarding enhancing further internal controls, the Bank sets a priority on the application of computer technologies and the development of IT audits.

Anti-Money Laundering and Terrorism Financing Policy

Based on Russian laws and regulations, as well as international recommendations, Russian Agricultural Bank is committed to complying with strict anti-money laundering principles and requires the same from its management team and employees.

Russian Agricultural Bank has established and operates a system of specialized internal controls based on Financial Action Task Force (FATF) recommendations, the Basel Committee on banking supervision and Wolfsberg Principles. These principles underscore the Bank's Anti-money Laundering and Terrorism Financing (AML/FT) Policy.

To upgrade risk management efficiency and maintain its strong business reputation, the Bank's management team circulated its adopted anti-money laundering policy and guidelines, which were designed to prevent, detect and combat money laundering and terrorism financing, at all internal divisions, branches and additional offices.

The Bank carries out regular staff trainings to provide skills necessary to implement anti-money laundering policies and to counteract terrorism financing.

The Bank has implemented the "Know Your Client" (KYC) policy to identify clients a priori. The criteria for evaluating the risk level for a client's potential involvement in legalizing proceeds from criminal activities (more commonly known as money laundering) and terrorism financing are set by the Bank's Internal Control Rules. If the Bank considers the risk to be high, it will closely monitor all transactions within that particular client's accounts.

All information received during client identification and disclosure and beneficiary identification is regularly updated, as data changes occur, or depending on the risk level for a client's involvement in legalizing proceeds from criminal activities (money laundering) and/or terrorism financing.

When establishing account relationships with a partner bank, Russian Agricultural Bank inquires whether the correspondent bank has implemented anti-money laundering and anti-terrorism financing procedures, including: client identification. In cases in which the partner bank has not implemented these measures, the Bank will refrain from establishing correspondent relationships with that particular institution.

Russian Agricultural Bank does not establish or maintain correspondent relationships with non-resident banks that have no permanent governing bodies in the countries in which they have been registered.

On a daily basis, Russian Agricultural Bank monitors all operations via a special automated banking system and, in accordance with Russian legislation, forwards information about transactions that are subject to anti-money laundering control to the Federal Financial Monitoring Service.

If a party, either an individual or legal entity, performing a banking transaction is known to be involved in extremist activities, the Bank will suspend this party's operations.

Adhering to the Bank's AML/FT Policy is compulsory for all employees at both the Head office and the branch level.

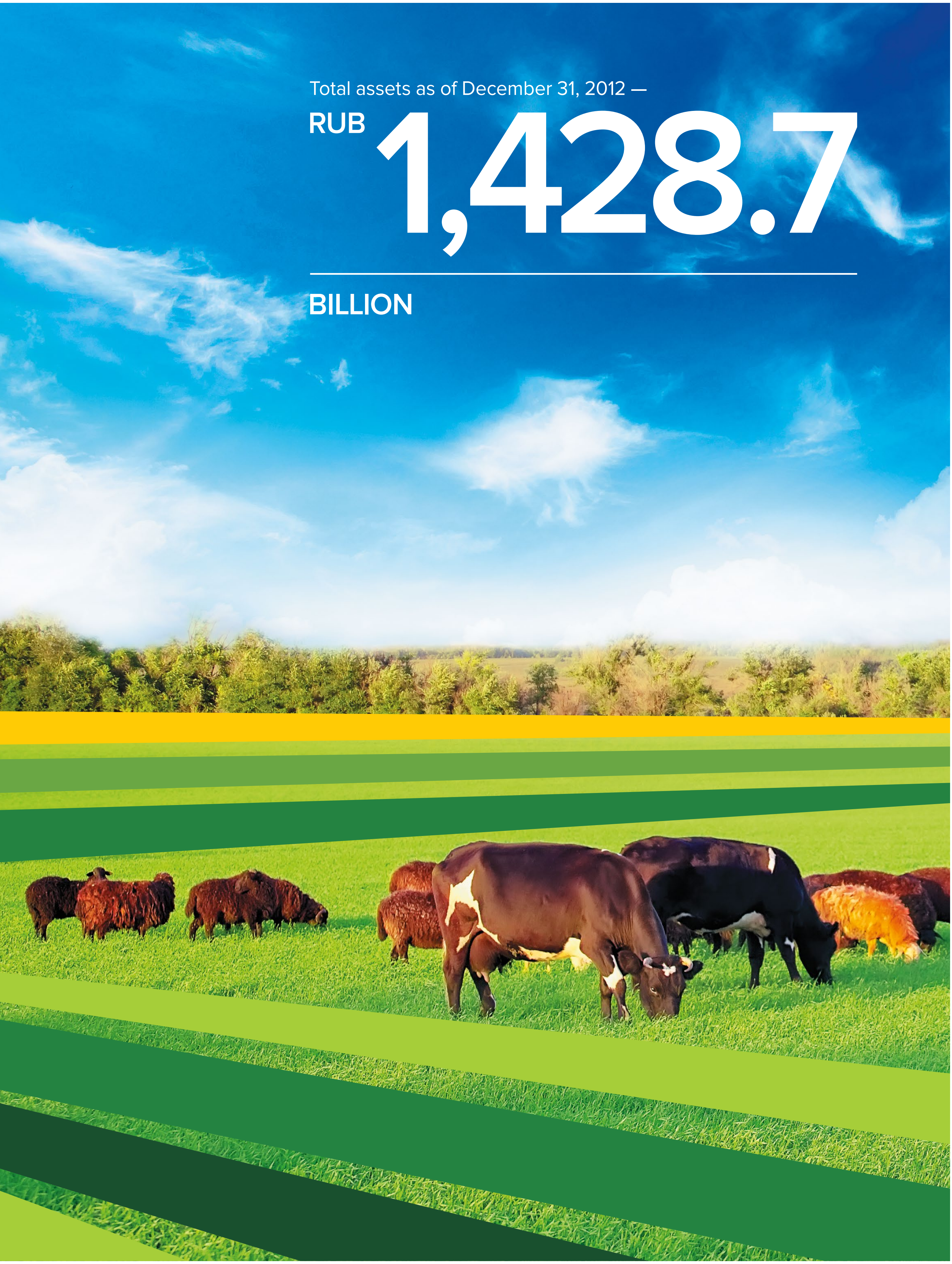
The Bank's effective risk management and optimized security system standards meet the highest anti-money laundering standards and enable the Bank to identify, analyze and assess potential threats and to undertake appropriate measures to avoid these risks.

In 2013, Russian Agricultural Bank will proceed with elaborating on new supervisory tools, and will regularly participate in procedural reviews and conduct personnel training programs throughout the branch network and the Head office, which was designed to raise personnel awareness. These measures will further ensure the Bank's compliance with AML/FT policies.

Total assets as of December 31, 2012 —

RUB 1,428.7

BILLION



Intangible assets

Regional Perspective

While Russian Agricultural Bank is headquartered in Moscow, its core franchise is regionally based. The Bank operates the second-largest branch network in Russia, broadly penetrating rural areas, as well as small- and medium-sized towns throughout the country. Whereas most national banks concentrate on large cities, the Bank covers 82% of Russia`s expansive territory with its services, capitalizing on a favorable competitive environment and creating a solid base for future growth alongside its regional corporate and retail customers.

As of January 1, 2013, Russian Agricultural Bank was made up of 78 regional branches and 1,503 points of sale, including:

- Additional offices — 1,447;
- Operational offices — 47;
- Separate cash desks — 9.

Throughout 2012, the Krasnodar, Moscow, Altai, Rostov and Orenburg units were the Top-5 largest branches in terms of assets, with total assets of RUB 262 billion, which is 22% of total branch network assets. These branches include 193 points of sale, which amounts to 13% of all branch network sales locations.

Financial results of the Top-5 branches as of January 1, 2013

Customer lending:

- Total lending volume — RUB 226 billion;
- The share of the Top-5 branches in the lending activity of the entire branch network — 21%;
- Growth in lending volume in 2012 — RUB 3.7 billion.

Customer deposits:

- Total volume of attracted deposits — RUB 80 billion;
- The share of Top-5 branches in attracting deposits within the entire branch network — 21%;
- Growth in deposits attracted in 2012 — RUB 3 billion.

Russian Agricultural Bank presently has 5 representative offices in the CIS countries. These offices are located in Belarus, Tajikistan, Kazakhstan, Azerbaijan and Armenia.

The Armenian office was opened in 2012 due to strong links between the two countries. It will promote the interests of Russian agricultural producers by assisting the Bank`s clients in export-import transactions.

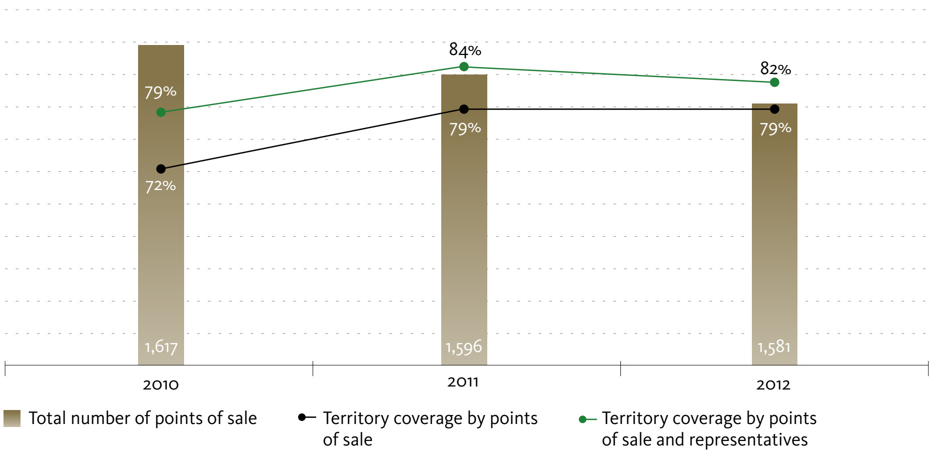
The Bank will expand its presence in the CIS countries within the framework of its international development strategy.

Pursuing maximum efficiency of the branch network, the Bank has undertaken steps to optimize the number of and regional coverage of its points of sale. During the reporting period, 21 sales offices were closed and 7 new locations were opened. Currently, the launch of 27 new operational offices is ongoing. The number of the Bank`s branches remained unchanged in 2012 at 78.

The direct sales channel through authorized representatives provides service coverage to remote towns and rural areas. As of January 1, 2013, the number of authorized Bank representatives stood at 67.

In 2013, the Bank will concentrate on increasing network efficiency by upgrading the remaining separate cash desks to fully operational offices.

Regional Branch Network Development



Information Technology

In 2012, Russian Agricultural Bank continued its IT development in line with the long-term concept of centralizing key business processes. This approach enables the Bank to pursue a flexible marketing strategy via the rapid introduction of new products for retail and corporate customers nationwide. It also provides for more effective general management of the entire IT infrastructure, enhances its integrity and improves facility synchronization between internal units and the branch network.

When introducing any upgrades, Russian Agricultural Bank traditionally strives to follow cutting-edge technologies which have emerged globally in the banking sector. After completing the comprehensive project "Development of Application Architecture and IT Infrastructure, IT Transformation and the Development of Project Management Principles," in cooperation with Accenture Company (2011), the Bank seized the opportunity to intensify its IT evolution by launching numerous new projects.

In 2012, the following systems were successfully installed and put into operation at the Bank:

- Unified credit management applications for the front offices;
- Automated Financial Resources Management system on the Kondor+ platform within the fields of currency and money market operations limit control;
- Automated Human Resources Management system on the SAP ERP HCM platform, within the fields of HR workflow management and administration, information security and payroll management;
- Operations automation system for trading bullion coins on the ISB BIScuit platform;
- Centralized system for remote payment services.

Internal credit processes became another direction for significant IT development during the reporting period. The Bank launched an optimization of its retail loan scoring system and started to upgrade the CRM environment by introducing a unified customer profile.

To ensure strong service reliability, availability and continuity, Russian Agricultural Bank uses duplicated servers and storage area networks, cluster solutions and Enterprise-level backup systems. The corporate communications network connects the back and middle offices with the Bank's branches via a high-speed ground- and satellite-based information channel. By engaging virtualization technologies, the Bank has created a flexible and dynamic IT infrastructure.

Human Resources Management

Russian Agricultural Bank's sound performance in many respects can be attributed to the high degree of professionalism of its employees, as well as on its elaborate and streamlined Human Resources Management Policy (HR Policy).

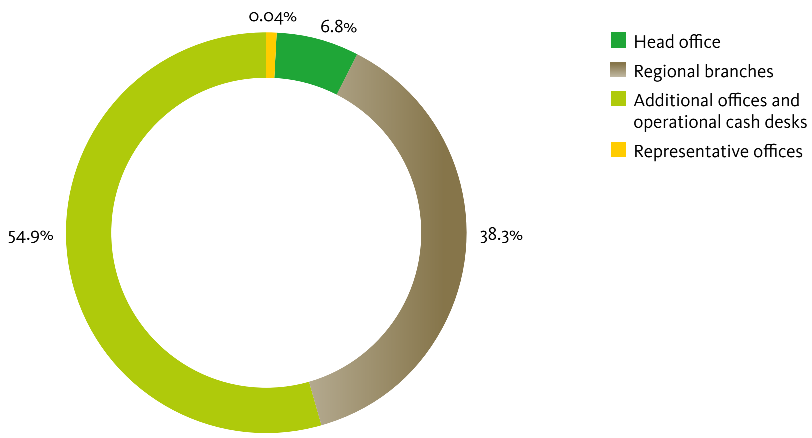
The Bank's human resources management is aimed at achieving strategic goals while adhering to socially responsible business practices (in relation to communities and employees).

The main outcomes of Russian Agricultural Bank's HR management team are sound financial and non-financial motivation, systematic recruitment and evaluation, motivation, training and development, and having a strong corporate culture and internal communications.

Personnel profile

As of December 31, 2012, the total headcount amounted to 31,863* (as compared with 31,751* as of December 2011). Thanks to upgrading the motivation system and increasing labor intensity, the Bank has been able to accomplish set goals without substantial personnel growth.

Staff Breakdown

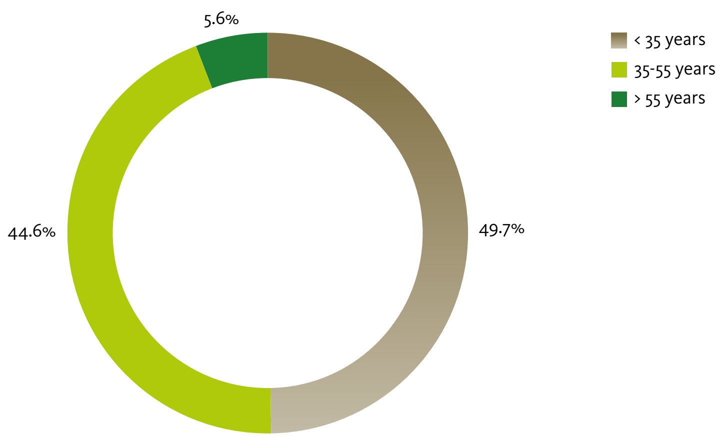


In 2012, the total actual number of Bank employees reached 31,863* including:

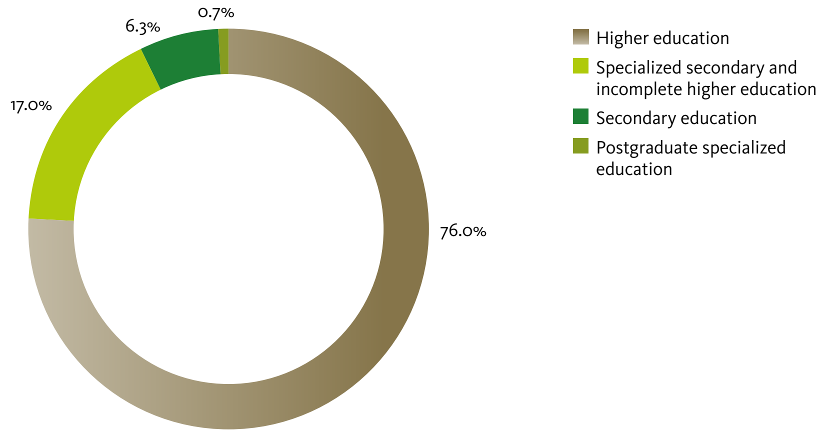
- Head office – 2,153;
- Regional branches and additional offices – 29,695;
- Representative offices – 14.

**Note: The total number of standalone personnel. The number does not include contract employees.*

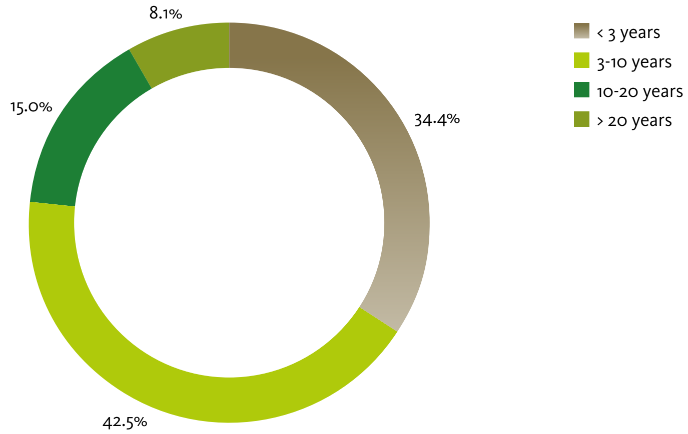
Staff Breakdown by Age



Staff Breakdown by Education



Staff Breakdown by Work Experience in the Banking Sector



Source: Bank information as of December 31, 2012.

For the most part, the Bank's staff has a higher education and considerable prior banking industry experience. The Bank's workforce is mostly of working age; the average age is 37. Seventy-six percent of the Bank's employees have received a higher education. More than 65 percent of employees have 3 or more years of work experience in the banking sector.

Recruitment and Evaluation

The Bank adheres to fair selection and equal opportunity principles in its recruitment process. When recruiting new staff, the Bank is guided by professional expertise criteria. The nature of the Bank's operations prompts the necessity of having and upgrading professional knowledge within the banking sphere, as well as within the agricultural industry and related sub-sectors. All employees pass a half-day introductory course.

The Bank understands that investing in human capital plays a key role in achieving corporate goals. The Bank works to systematically develop internal and external succession pools, ensuring the timely and effective replacement of vacant executive positions, as well as minimizing management turnover rates.

External succession pool development was carried out in the following directions:

- Developing cooperation with more than 140 universities, including: the Finance University under the auspices of the Russian Government, the Plekhanov Russian University of Economics, and the Stavropol State Agrarian University;
- Organizing internship programs for university students – 2,120 trainees, 56 of whom were recruited;
- Organizing groups for finance students in regional branches. A total of 510 students took part in these projects.

The Bank has implemented an internal succession plan under which successful employees can be promoted. For this purpose, a special Nominations Commission was established at the Bank. The Nominations Commission conducts ongoing succession planning and recommends candidates for appointment to executive positions in both the Head office and Bank branches.

The comprehensive personnel assessment system is designed to provide the necessary level of qualifications and performance for executive personnel in both Bank branches and the Head office.

In 2012, under the comprehensive business appraisal plan, the HR Division carried out assessment procedures at 78 Bank branches. In total, 3,289 employees have undergone a comprehensive appraisal and 5,721 employees have taken proficiency tests.

Based on personnel assessment results, the Bank has determined the need for further training and the development of employees professional competencies.

Motivation, Training and Development

The Bank's motivation and incentive policy is designed to recognize employees' performance and to increase their potential for achievement via intensive training, as well as an opportunity to promote their personal well-being (and that of their dependents).

The Bank pursues a competitive compensation policy. Compensation for work done is supplemented by a system of bonuses tied to achieving key performance indicators (KPIs).

The Bank's non-financial motivation includes: commendations and other types of incentives awarded by senior staff to the most effective employees. In 2012, more than 600 employees were given awards (marking achievements) from the Bank. The Bank holds professional excellence contests and contests to reward business activity results for both departments and individual employees. Winners receive Letters of Appreciation and Certificates of Merit. The "Best in profession" contest has been held for 3 years in succession, as part of the corporate culture development program with the goal of encouraging the employees' strong performance. In 2012, 555 employees took part in this contest; 10 were ultimately recognized as winners.

The training system is designed to constantly develop employees competencies, which contributes to the preservation and accumulation of Bank expertise, provides personnel with additional career development opportunities and indirectly benefits social and economic progress. The Bank has a unified training system, which comprises both external and internal training for all employee types. In 2012, the Bank conducted on-site training via practical seminars, video courses, tests, and distance learning.

Russian Agricultural Bank has established its own Corporate University and has 6 training centers that operate in Russian regions, offering business-focused training and employee development programs.

The primary tasks of the Corporate University include:

- Developing a unified system for planning and implementing training programs;
- Launching programs to upgrade employees qualifications;
- Organizing seminars on new products for branch specialists;
- Developing effective training programs for additional offices and operational cash desk staff;
- Elaborating on the product training system.


Number of clients is more than
4.3
MILLION

In 2012, the main corporate training achievements were:

- Further development of the on-site and distance training system;
- Development and implementation of qualification upgrade programs for the chief accountants in branches and call center employees, as well as seminars to enhance client management (CRM) skills;
- Implementation of projects to organize retail product sales in the Bank's branch network, deposit sales model and fee product sales;
- Qualification upgrades for executive staff in the Bank's branches;
- On-site trainings by Corporate University coaches;
- On October 25, 2012, the Bank opened a regional Training Center of the Corporate University of the North-Western Federal District (based in the Bank's Saint Petersburg branch).

In 2012, the total number of trainings received by Bank employees amounted to 121,192, which represents a 30 percent growth compared with 2011 numbers.

Corporate Culture and Employee Responsibility

The Bank's corporate culture promotes mutual respect for employees and creates a productive and comfortable environment that encourages staff to work to achieve common corporate goals. In light of this broader objective, Russian Agricultural Bank considers employee care and merit recognition as priority directions for internal social policy.

The Bank's internal social policy is aimed at providing employees with social protection based on responsibility and partnership principles. Employment benefits include: medical insurance, medical services in the office, workplace accident insurance, one-time financial allowances for certain family circumstances, voucher compensations for stays in health maintenance resorts, and corporate discounts from partner companies. In extraordinary cases, the Bank can provide additional financial aid.

Russian Agricultural Bank makes all mandatory contributions to the Russian Social and Pension Funds, in accordance with applicable Russian legislation, so that pensions are duly provided to former employees via the Bank's own established pension fund – the APK Fund.

Russian Agricultural Bank carries out activities to provide for the occupational safety of its employees. The Bank focuses on preventing workplace accidents, health accidents and professional diseases, providing education on workplace safety and safe behavior, certifying the workplaces in terms of ecological safety compliance, and investigating health accidents and professional diseases, including providing comprehensive medical checkups for employees.

Maintaining employees' health is one of the priorities of the Bank's internal social policy. The Bank actively promotes employees' participation in sporting activities. In addition to already existing football and volleyball teams, in 2012, the Bank established bowling and table tennis teams.

The Bank supports workforce retention and employee performance by actively engaging employees via communication and participation in various social, cultural and sports activities. Russian Agricultural Bank ensures an ongoing employee-manager dialogue. All employees participate in a year-round performance management process that assesses individual achievements, skills and knowledge. The Bank has implemented a special personnel succession plan under which successful employees can be promoted within the organization. This process supports staff development, links behavior to corporate values and helps to ensure that employees have the skills required to effectively meet clients' needs and to implement the Bank's ambitious strategic goals. The Bank holds numerous professional contests to adequately recognize employees' professional qualifications.

Russian Agricultural Bank undertakes efforts to make workplace communications feasible and relevant for every team member. The Agrocredit magazine and the Utrenniy Express newspaper are important components of the internal communications framework. The magazine provides employees with an opportunity to better understand the Bank's mission and strategy, its organization, branch performance, and recent events and developments and to believe that they are an integral part of the entire Bank network. The newspaper gives employees a clear picture of the Bank's latest developments.

2013 Plans

In 2012, the Bank made significant steps towards strengthening its corporate culture, increasing employee engagement, and recruiting and retaining a highly qualified workforce. At the end of 2012, Russian Agricultural Bank approved a new long-term Development Strategy through 2020. Investing in human capital is essential for achieving the Bank's strategic goals. Consequently, ongoing staff management and development are among the Bank's most important tasks.

In 2013, Russian Agricultural Bank will continue its work on developing a constant employee training system, including: training covering the needs of the main business segments, executive training, communication skills advancement, implementation of the "Internal Coaching" program, enhancement of the distance learning program, and development of the "Advancing Financial Literacy" program. The Bank will remain committed to being a responsible employer and will aspire to create a motivating and rewarding work environment for all staff members.

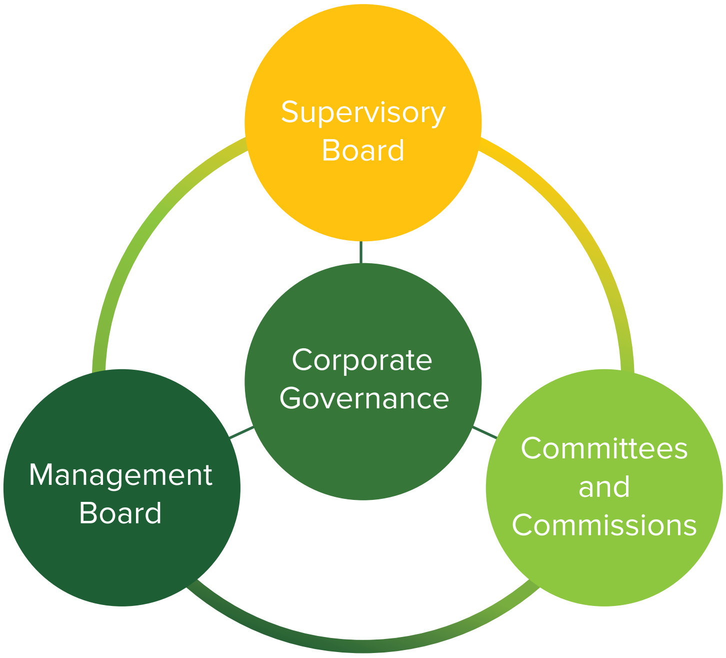
Corporate Governance

Russian Agricultural Bank regards good corporate governance practices as a key element for the Bank`s prosperity and financial success. An effective system of mechanisms and approaches (directing and controlling the Bank) ensures that decision-making processes are fast, transparent and results-oriented. It enables the Bank to effectively control risks, promptly react to any changes in the business or economic environment, and maintain a proper balance between shareholders' interests and financial performance.

The Bank continues to adhere to previously established corporate governance principles which have proved to be appropriate and applicable. These are:

- Disclosure and transparency;
- The role and responsibilities of the Board;
- Integrity and ethical behavior.

Russian Agricultural Bank`s Corporate Governance Structure



Supervisory Board

The role and responsibilities of the Supervisory Board, which consists of seven members, are set out in the Bank`s Charter. These responsibilities include: considering and approving corporate strategy, the risk management policy, and annual reports and business plans. The Supervisory Board also provides advisory assistance to the Management Board on comprehensive issues, in accordance with the Banks's core values of transparency, trust and integrity.

The presence of independent directors with solid industry expertise on the Board ensures that the Bank will continue its development under the leadership of highly competent professionals with a deep understanding of the economic and business environment.

Dmitry A. Pumpyansky

Chairman of the Supervisory Board of JSC Rosselkhozbank;
President of Sinara Group, CJSC;
Independent Director

Artem D. Avetisyan

Head of the New Business Division of the autonomous non-commercial organization Agency of Strategic Initiatives;
Independent Director

Anna G. Belova

Professor, Deputy Dean of the Graduate Management School of the National Research University Higher School of Economics;
Independent Director

Mikhail A. Eskindarov

Rector of the Financial University under the auspices of the Government of the Russian Federation

Tatyana B. Kulkina

Managing Director, MMC Norilsk Nickel

Ilya V. Lomakin-Rumyantsev

Deputy Dean of the Department of Economics of the Lomonosov Moscow State University

Dmitry N. Patrushev

Chairman of the Board and CEO of JSC Rosselkhozbank

There are three committees operating under the Supervisory Board:

Audit Committee	Reviews the Bank`s accounting and risks policies, as well as the internal control environment.
Strategic Planning and Development Committee	Sets and supervises general and priority strategic objectives, makes recommendations on the Bank's dividend policy and evaluates the Bank`s operational effectiveness.
HR and Remuneration Committee	Approves HR Policy and the remuneration policy for senior executives.

Revision Commission

The Revision Commission is the body responsible for controlling the Bank's financial and business activity. It carries out revision on current operations compliance with the financial plan, analyzes the Bank`s financial position, evaluates the functioning of internal control and risk management systems, and checks the legitimacy of selected transactions.

Revision Commission is elected according to an order of the Federal Agency for State Property Management (Rosimushchestvo), which exercises rights as the Bank`s sole shareholder.

The Commission is made up of 5 members and currently includes representatives of Rosimushchestvo, the Russian State Duma, the Federal Service for Financial and Budgetary Oversight, and the Russian Institute of Directors.

Corporate Secretary

Corporate Secretary is responsible for ensuring procedures aimed at championing the rights and interests of the Bank`s shareholders. Participating in arranging the General Shareholders Meeting and Supervisory Board meetings and working out resolutions which need the approval of the Bank`s shareholder, the Corporate Secretary secures an effective cooperation process between the shareholder and the Bank`s management.

Management Board

Chairman of the Board and the Management Board are Russian Agricultural Bank's sole and collective executive bodies. They carry out general duties related to achieving the Bank`s key business goals, accomplishing long-term missions set out by the shareholder, supervising the compliance of the Bank`s activity with all relevant laws and regulations, overseeing the establishment and functioning of appropriate risk management systems (including: defining the Bank`s risk appetite), monitoring the environment in which the Bank operates, and nurturing the Bank`s corporate culture.

Dmitry N. Patrushev
Chairman of the Board and CEO

Boris P. Listov
First Deputy Chairman of the Board

Andrey A. Alyakin
Deputy Chairman of the Board

Edward A. Issopov
Deputy Chairman of the Board

Victoria V. Kirina
Deputy Chairman of the Board

Evgeny V. Kryukov
Deputy Chairman of the Board

Kirill Y. Levin
Deputy Chairman of the Board

Dmitry G. Sergeev
Deputy Chairman of the Board

Aleksey Y. Zhdanov
Deputy Chairman of the Board

The Management Board is supported by a number of specialized committees and commissions, including but not limited to:

ALCO Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board, Chief Accountant, and representatives of the following departments: Treasury, Capital Markets, Financial Institutions, Finance and Planning, Risk Management, Marketing and Credit Management, Corporate Business, and Legal.

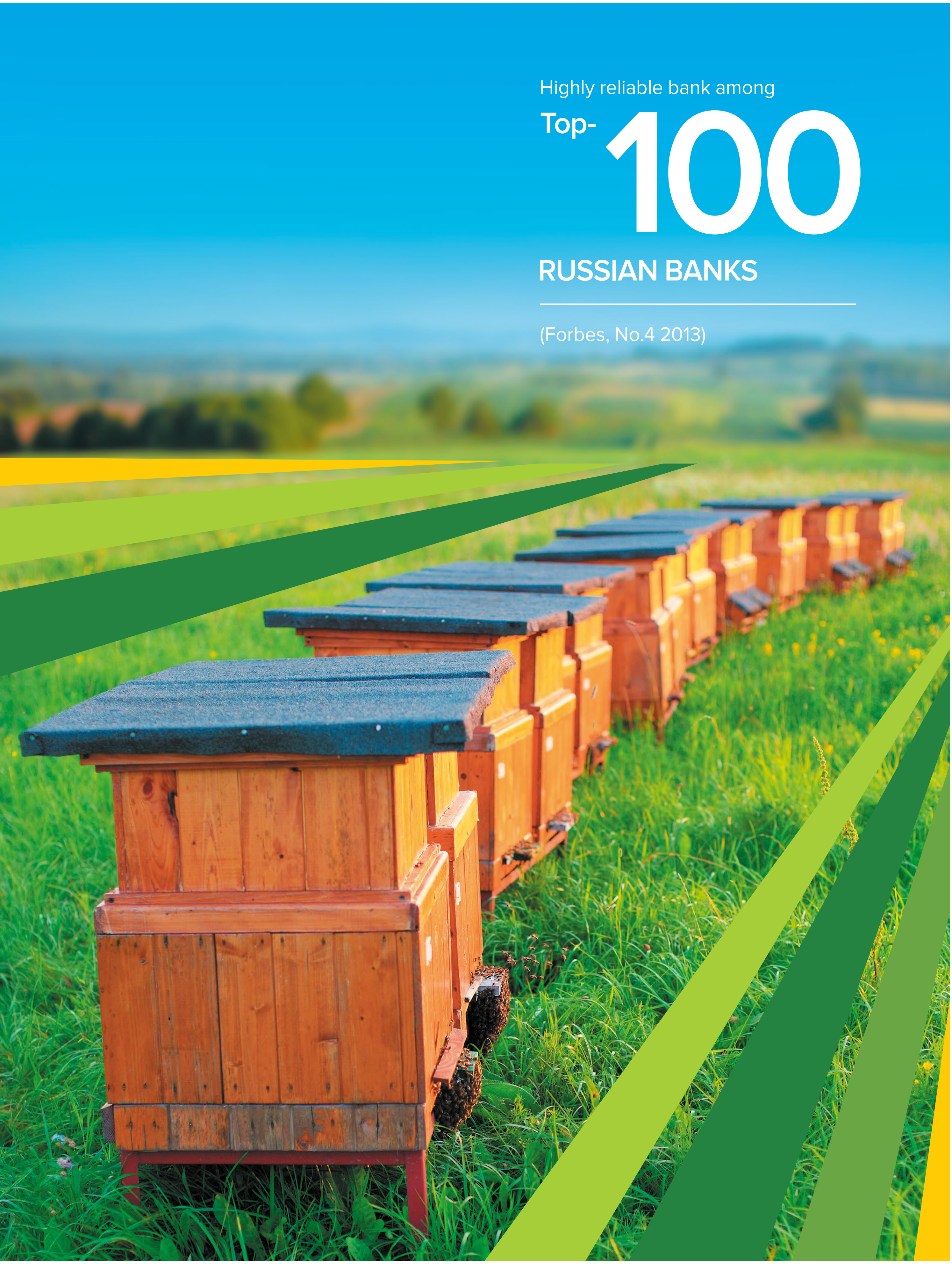
ALCO Committee provides the Management Board with a preliminary examination of the funds allocation agenda and the Bank`s limit policy. The Committee also reviews materials concerning the adoption of internal procedures for regulating financial risk management and analyzes the structure and terms under which the Bank attracts external funding.

Senior Credit Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board, and representatives of the following departments: Risk Management, Finance and Planning, Marketing and Credit Management, Security, Corporate Business, Treasury, NPL Management, Legal, and Credit and Project Financing.

Senior Credit Committee plays a key role in implementing and modifying the Bank`s credit policy. Its targets include minimizing credit risk and maximizing lending business profitability both in domestic and foreign currencies. The Committee also monitors the quality of the Bank`s loan portfolio and supervises the efficiency of the decision-making process. The Senior Credit Committee is entitled to make credit decisions without Management Board`s special approval on deals that are up to 1% of the Bank`s capital.


Highly reliable bank among
Top-100
RUSSIAN BANKS
(Forbes, No.4 2013)

Junior Credit Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board and representatives of the following departments: Security, Retail Business, Risk Management, Credit, NPL Management, Legal, Treasury, Small-scale Business Development, Corporate Business, and Finance and Planning.

The Junior Credit Committee deals with any transactions that bear a credit risk for the Bank. It considers and sets individual credit limits for borrowers or groups of affiliated borrowers within the RUB 500 million limit. Another mission of the Committee is to consider additional limits for the Bank`s branches when default limits need to be raised.

Financial Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board, Chief Accountant, and representatives of the following departments: Finance and Planning and Branch Network Development.

Business planning, cost control, pricing policy and profitability analysis are the main issues that the Financial Committee works on. Its activities are aimed at constantly upgrading the Bank's business efficiency and financial performance.

Problem Assets Management Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board, and representatives of the following departments: Risk Management, Security, Problem Loans Management, Branch Network Development, Credit, and Legal.

The Problem Assets Management Committee`s main function is to organize a comprehensive system for recovering troubled debts. The Committee is responsible for working out a series of instruments both for the Bank`s Head office and for its branches to ensure that non-performing and/or restructured loans generate financial returns.

Branch Network Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board and representatives of the following departments: Branch Network Development, Marketing and Credit Management, Strategic Development and Corporate Management, Corporate Business, Retail Business, Risk Management, Treasury, Administrative, Finance and Taxation, NPL management, Small-scale Business Development, Finance and Planning, HR, and Security.

The Branch Network Committee determines the Bank`s branch network development policy, delivers proposals on its modernization, analyzes optimization opportunities and guides the Bank on how to better capitalize on Russia's second largest nationwide branch network.

Strategy and Corporate Development Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairmen of the Management Board, Chief Accountant, and representatives of the following departments: Strategic Development and Corporate Management, NPL Management, Finance and Planning, Risk Management, Legal, Financial Institutions, Branch Network Development, and Marketing and Credit Management.

The Strategy and Corporate Development Committee assists Supervisory Board in considering long-term issues concerning general strategy, corporate development, working coordination between different business divisions, organizational chart optimization, and improvements in the Bank`s manageability.

Corporate Ethics Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of representatives of the following departments: HR, Security, Strategic Development and Corporate Management, Legal, Branch Network Development, and Financial Institutions.

The Corporate Ethics Committee is responsible for promoting unified corporate values and ethical rules among the Bank's staff. The Committee exercises general control over employees` observation of labor legislation, internal norms and prescriptions, principles of subordination and any other rules that regulate the Bank's working environment.

Technological Committee

Headed by Deputy Chairman of the Management Board.

Membership is made up of Deputy Chairman of the Management Board, Chief Accountant, and representatives of the following departments: Automated Systems, Financial Institutions, Strategic Development and Corporate Management, Finance and Planning, Risk Management, Security, Marketing and Credit Management, Branch Network Development, Treasury, and Operational.

The Technological Committee functions as an internal think tank in the field of technological development. The Committee is responsible for ensuring that the Bank`s IT infrastructure is up-to-date. It analyzes the latest trends and suggests the introduction of new hard- and software solutions. The Committee acts as a mediator to harmonize the technological development process when two or more business divisions are involved.

Corporate and Social Responsibility

Russian Agricultural Bank, as the key lender to Russian agribusiness, puts a high priority on corporate social responsibility. The focus areas of the Bank's corporate social responsibility (CSR) policy are derived from the Bank's unique role in developing national agriculture and are reflected in its mission. These areas include: developing rural territories and mid-sized cities, promoting innovations and resource-efficient technologies in agribusiness, supporting small businesses, upgrading the living standards of the rural population, and developing rural infrastructure.

Regional cooperation is crucial to the Bank's mission given that more than 90% of assets are located in Russian regions. The Bank takes advantage of its strong regional branch network and partners with governments in the territories in which it is present to prepare and implement regional development strategies.

Small business pattern support is an important task at the State level and is one of the Bank's priorities. By providing both financial and non-financial services to entrepreneurs, the Bank contributes to creating a favorable business environment, supporting the creation of new jobs and contributing to social and economic stability.

Sustainable Business Practices

The business and society partnership is an integral part of successful sustainable development for any organization.

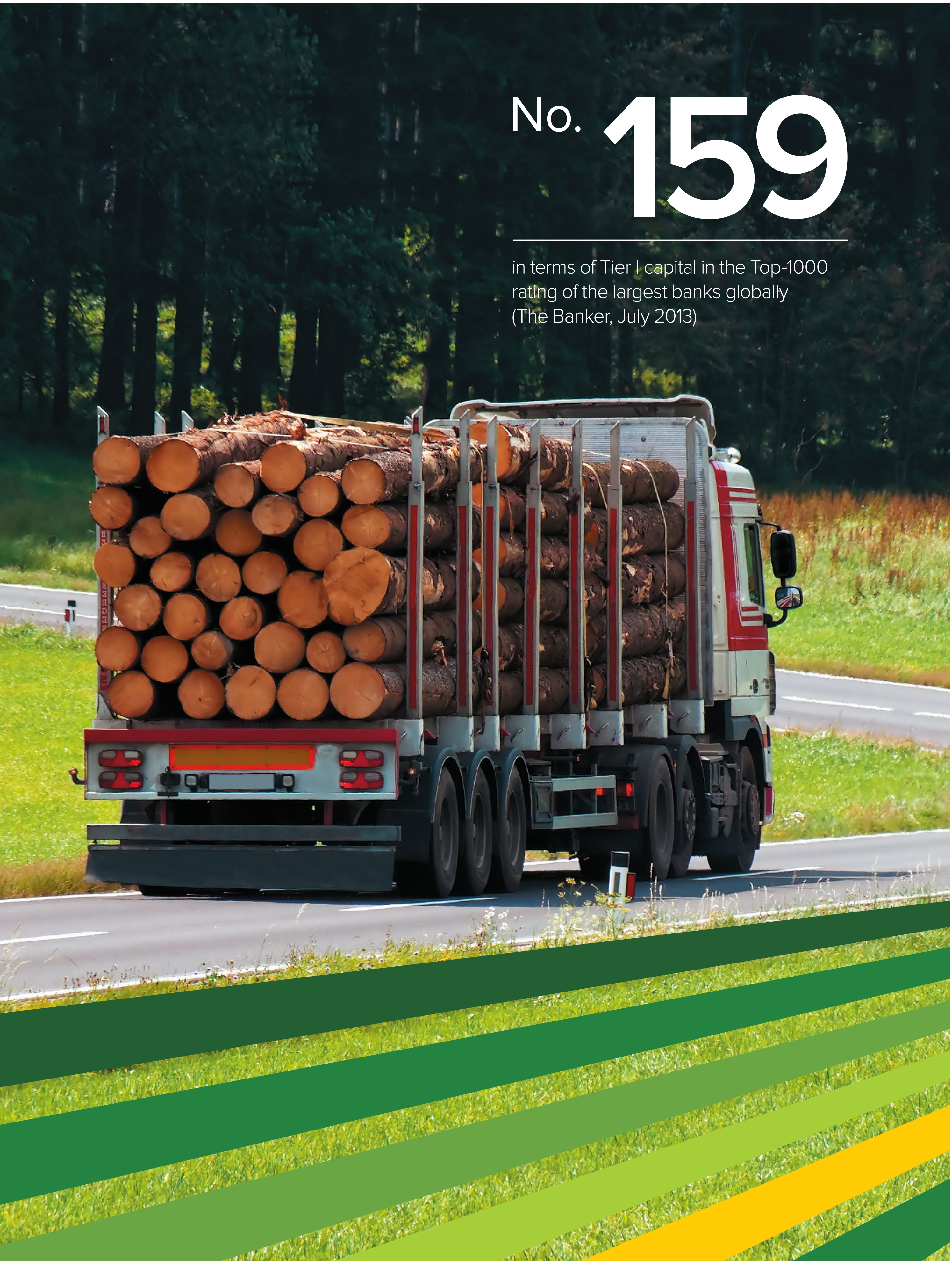
Russian Agricultural Bank overall strategic approach to sustainability is determined by its mission and is reflected in its long-term strategic goals. The Bank's sustainable business practices are made up of the following:

- Providing accessible, innovative and environmentally friendly banking products and services for agricultural commodity producers and Russia's rural population;
- Implementing the Government's socio-economic and lending policies;
- Facilitating domestic and foreign investments in the Russian agribusiness sector;
- Ensuring the sustainable development of agribusiness and Russia's rural regions;
- Preserving and restoring natural resources, reducing the environmental impact of the Bank's activities via the application of voluntary environmental responsibility mechanisms.

Increasing the availability of financial resources for small business in rural areas is an important task at the State level and is one of the Bank's priorities. Increasing the number of farms in rural areas will create new jobs. Young people will have the opportunity to get hired. This will improve the social climate in rural areas and tangibly contribute to agribusiness development, as well as the economy as a whole.

Russian Agricultural Bank's branch network, comprising 78 branches and more than 1,500 additional offices, is the second largest in Russia. Through its widespread branch network, covering over 80% of Russian territory, the Bank participates in financing various regional programs aimed at the economic and social development of Russian constituents. In 2012, the Bank signed five bilateral cooperation agreements with regional authorities to implement the State Program on Agribusiness Development 2013-2020. This type of cooperation facilitates an increase in lending to regional agribusiness, including financing investment projects and infrastructure development, as well as the implementation by regional authorities of priority directions of State policy in economic, social, educational and other spheres.

For more than 10 years now, Russian Agricultural Bank has participated in sustainability programs focused on social aspects and initiated by the Russian Government. The objectives of these programs include: providing affordable financing to agribusiness enterprises, upgrading financial performance thus promoting the well-being of the rural population, and ensuring the sustainable and comprehensive development of national agribusiness.



No. 159

in terms of Tier I capital in the Top-1000 rating of the largest banks globally (The Banker, July 2013)

The Bank is engaged in implementing the following programs:

- The rural areas development program. The program stipulates support for housing construction projects in rural areas. This program also involves lending to individuals residing in small towns and rural areas who are involved in agricultural production;
- The recovery of loans extended from the Russian federal budget and extra-budgetary sources to legal entities engaged in agribusiness during the 1992-2000 period;
- Implementation of the Federal Law "On the Financial Rehabilitation of Agricultural Enterprises". The Bank monitors the financial standing of enterprises participating in rehabilitation;
- Financing grain purchases and commodity interventions – lending to federal agents participating in the Government's grain price stabilization program;
- Seasonal field work financing program;
- Lending program for the purchases of modern machinery and technology. The Bank provides lending to implement Government policy on agricultural equipment upgrades;
- Lending to agricultural credit and consumer cooperatives. The Bank assists credit and consumer cooperatives development as an important tool for rural economic and financial stabilization;
- Development of family livestock-breeding farms.

The Bank offers more than 30 types of loan facilities to Russian farmers, which are tailored to meet individual needs. The Bank has introduced a new type of loan "Become a farmer" within the framework of the Government program "Supporting young farmers (2012 – 2014)", which stipulates special lending terms.

The Bank undertakes efforts to make its purchasing processes transparent, efficient and non-discriminatory and promotes compliance with Federal Law No. 223-FZ "On Procurement" dated 18 July 2011. To this end, the Bank has approved and implemented Internal Regulation No. 409-P "On the organization of procurement activity".

Russian Agricultural Bank's international operations facilitate the inflow of foreign investments to the Russian agricultural sector. The Bank is an active member of the Russian-Chinese Business Council, the US-Russia Business Council and the International Confederation of Agricultural Credit (CICA), which adds to the Bank's potential to further develop its business and international cooperation in the sphere of agribusiness lending.

"Since its inception, Russian Agricultural Bank has supported high potential investment projects within the sphere of building state-of-the-art enterprises, applying highly efficient technologies. I'm convinced that implementing these projects significantly contributes to national agribusiness development", Dmitry Patrushev, Chairman of the Management Board and CEO.

In March 2012, Russian Agricultural Bank became a financial partner of the Strategic Initiatives Agency. This partnership will promote socially important projects with a focus on implementing innovations and upgrading the agribusiness investment climate.

Environmental Responsibility

Russian Agricultural Bank has adopted and implemented voluntary environmental responsibility principles to preserve and restore natural resources, and to reduce the environmental footprint of the Bank's activity, as well as to raise social responsibility awareness. The main principles of ecological responsibility of the Bank are:

- Ongoing monitoring and assessment of the Bank's activity related to the input (raw materials, energy, water) and output (emissions, waste discharge) flows, in particular due to control of expenditures of the Bank for environmental aspects;
- Minimization of direct environmental impact of the Bank, including actions of its personnel and business processes, use of natural and energy resources by the Bank, including through improving the quality of management of items of consumption, standards of service providers to the Bank and its customers;
- Strengthening the role of the Bank in development of mechanisms of environmental responsibility among contracting parties /customers of the Bank via participation in financing the environmental preservation and restoration projects, development and use of renewable energy sources;
- Promotion by the Bank of environmental responsibility mechanisms through implementation of measures focused on environmental protection, preservation, and restoration;
- Introduction of standards and rules of environmental responsibility of the Bank's personnel into the corporate culture of the Bank, including understanding the purposes and methods of work with the use of mechanisms of environmental responsibility, interest in preserving the environment.

When implementing voluntary ecological responsibility mechanisms, the Bank strives to comply with local and international ecological standards and norms, provision expenses related to ecological aspects of the Bank's activity, including for environmental protection, rationalizes and controls performance related to the input (raw materials, energy, and water) and output (waste) of tangible resources per one employee (per one unit of usable space), optimizes the use of the Bank's resources, including by reducing electricity and heating usage, and water via the application of resource-efficient technologies, and automates control of resource use and conservation ('smart office' policies).

Socially Responsible Practices

Russian Agricultural Bank believes that corporate social responsibility means a constant ambition to upgrade living standards for its employees and society, as a whole. This ambition translates into the Bank's motivation for providing a helping hand to communities within its reach via charitable activities, sponsorship and donations and for encouraging the positive impact of the Bank's operations on its wide and diverse range of stakeholders.

The Bank's internal social policy is aimed at providing social protection for its employees based on responsibility and partnership principles. Employment benefits include: medical insurance, medical services in the office, workplace accident insurance, one-time financial allowances in case of certain family circumstances, compensation vouchers for staying in health resorts, and corporate discounts from partner companies. In extraordinary cases, the Bank can provide additional financial aid to its employees.

The Bank insures 2,402 Head Office employees and more than 19,000 branch employees under voluntary medical insurance; 409 Head Office employees and 5,473 branch employees were insured under the Bank's accident insurance program.

Russian Agricultural Bank carries out activities to provide for the occupational safety of its employees. The Bank focuses on preventing workplace accidents, health accidents and professional diseases, providing appropriate education on workplace safety and safe behaviors, certifying that workplaces comply with ecological safety standards, and investigating health accidents and professional diseases, including providing for comprehensive medical checkups.

Maintaining employees' health is one of the priorities of the Bank's internal social policy. A healthy lifestyle is one of the Bank's core values. The Head Office and 72 branches have set up different sports teams. In 2012, these teams participated in 88 sporting events at the regional and federal levels. The Bank's sportsmen took part in the First Corporate Spartakiad during the reporting period. The Bank's volleyball team took part in the IX all-Russian Summer Rural Sports Games and won the Grand Prix Cup in the "Regional Wealth" category.

The Bank's branch employees are actively engaged in sporting activities, which create team spirit and promote a healthy workplace atmosphere. In 2012, branch sports teams participated in more than 80 events.

The Bank's commitment to socially responsible policy is demonstrated via the organization of volunteer projects. The "Volunteer Descent" project supports socially-oriented organizations in almost all of the Bank's branches. Starting in 2010, the Bank has implemented the "Pass to Profession" project, which includes career guidance excursions for high school students and children from orphanages. To increase the financial literacy and economic activity of Russia's rural population, Russian Agricultural Bank launched the "Become a Farmer" large-scale educational program. The project is designed to increase the financial literacy of Russian farmers, ensuring sustainable farming development in Russian regions and increasing the awareness of Russian farmers about credit resource availability for business set-up. In the the six months since project implementation, the Bank has received inquiries from more than 1000 people. More than 800 people took part in round-table discussions, which were organized by Russian Agricultural Bank throughout Russia. In 2013, the Bank plans to hold educational workshops in 83 Russian regions.

Sponsorship and Charity

Charitable activity is driven by the Bank's intrinsic sense of humanity and its commitment to being a responsible corporate citizen.

In the course of developing its charity policy, the Bank decides on charitable initiatives that are related to key priorities of Russia's social and economic development and which are defined by the Bank's shareholders – namely, developing the health care and education system, preserving the country's cultural and historical heritage and promoting spirituality.

With the aim of promoting the social support of communities, the Bank has provided financial aid to individuals, a non-profit fund and a veterans organization.

In 2012, within the education sphere, the Bank supported the organization of forums and conferences, as well as a scholarship program at agricultural colleges and universities. As part of supporting spiritual education, the Bank has provided assistance to monasteries, spiritual academies and non-profit organizations. In 2012, the Bank supported the construction of a Sunday School and restoration of a church in the Republic of Chuvashia.

One of the priority projects is financial support to the charity fund for the restoration of the Voskresensky New Jerusalem Stauropegial Monastery. The Charity Fund for Monastery Reconstruction was established at the initiative of former Russian President Dmitry Medvedev and the late Moscow and All-Russia Patriarch Alexy II. This initiative makes a major contribution to the further development of national identity.

The Bank supports the arts and culture as the general partner of a Moscow-based theater under the artistic direction of Armen Dzhigarkhanyan.

The Bank continued to support sports and physical activity by assisting pre-school institutions and the Center for Children and Teenage Rehabilitation, as well as supporting the organization of mass sporting events.

In 2012, the Bank embarked on a new community outreach initiative - blood donation campaigns for young patients of the Federal Research and Clinical Center for Children's Hematology, Oncology and Immunology.

As part of the initiative to support industry-specific mass media, the Bank has sponsored TV shows broadcast on major federal channels that raise agricultural issues.

The Bank's business events sponsorship contributes to economic development. In 2012, the Bank became a partner of the 12 largest specialized events, including: the Saint Petersburg Economic Forum, the annual International Investment Forum Sochi-2012 and the Golden Autumn Exhibition. The Bank became the primary sponsor of the XXIII Annual Convention of the Association of Russian Banks, which is a forum for fostering dialogue with the wider banking community.

The Bank has allocated approximately RUB 223 million for sponsorship activities in 2012.

The Bank will further pursue adopted policies, placing a special focus on its unique role as a financial institution that was established to finance the strategically important agricultural industry.

RUSSIAN AGRICULTURAL BANK GROUP

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

31 December 2012

CONTENTS

Independent Auditor's Report

To the Shareholder and the Supervisory Board of Russian Agricultural Bank

We have audited the accompanying consolidated financial statements of Open Joint-Stock Company Russian Agricultural Bank and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

10 April 2013
Moscow, Russian Federation

N.Y.Dmitrieva, Director (licence no. 01-000271),
ZAO PricewaterhouseCoopers Audit

Audited entity: Open Joint Stock Company Russian Agricultural Bank

State registration number 3349 issued by Central Bank of Russian Federation on 24.04.2000

Certificate of inclusion in the Unified State Register of Legal Entities N° 1027700342890 issued on 22.10.2002

3 Gagarinsky Pereulok, 119034, Moscow, Russian Federation

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate N° 008.890, issued by the Moscow Registration Bureau on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities N° 1027700148431 issued on 22 August 2002

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" N° 870. ORNZ 10201003683 in the register of auditors and audit organizations

ZAO "PricewaterhouseCoopers Audit",
White Square Office Center, 10 Butyrsky Val, Moscow, Russian Federation, 125047
Telephone: +7 (495) 967 6000, Fax: +7 (495) 967 6001, www.pwc.ru

Russian Agricultural Bank Group
Consolidated Statement of Financial Position

In millions of Russian Roubles	*Note*	*31 December 2012*	*31 December 2011*
ASSETS			
Cash and cash equivalents	7	106 342	133 959
Mandatory cash balances with the Central Bank of the Russian Federation		9 153	8417
Trading securities	8	19 220	-
Repurchase receivables	9	20 632	2 369
Financial instruments designated at fair value through profit or loss	10	12 550	11 225
Derivative financial instruments	34	18 659	23 296
Due from other banks	11	45 930	39 569
Loans and advances to customers	12	1 070 712	903 697
Investment securities available for sale	13	44 036	76 595
Investment securities held to maturity	14	27 999	31 319
Deferred income tax asset		5 100	5 531
Intangible assets	15	1 723	1 531
Premises and equipment	15	23 068	25 093
Current income tax prepayment		2 464	820
Other assets	16	15 724	15 904
Assets of the disposal groups held for sale	38	5 338	5 101
TOTAL ASSETS		**1 428 650**	**1 284 426**
LIABILITIES			
Derivative financial instruments	34	5 261	739
Due to other banks	17	136 343	90 417
Customer accounts	18	557 476	607 295
Promissory notes issued	19	23 234	20 129
Debt securities issued	20	440 866	342 499
Deferred income tax liability		2 065	1 322
Current income tax liability		-	7
Other liabilities	21	8 824	6 769
Subordinated debts	22	55 274	57 192
Liabilities directly associated with the disposal groups held for sale	38	1 410	1 282
TOTAL LIABILITIES		**1 230 753**	**1 127 651**
EQUITY			
Share capital	23	188 798	148 798
Revaluation reserve for premises		1 270	1 050
Revaluation reserve for investment securities available for sale		(271)	(898)
Retained earnings		7 117	7 017
Equity attributable to the Bank's owner		**196 914**	**155 967**
Non-controlling interest		**983**	**808**
TOTAL EQUITY		**197 897**	**156 775**
TOTAL LIABILITES AND EQUITY		**1 428 650**	**1 284 426**

Approved for issue and signed on behalf of the Management Board on 10 April 2013.

D.N. Patrushev
Chairman of the Management Board

E.A. Romankova
Chief Accountant

The notes set out on pages 81 to 162 form an integral part of these consolidated financial statements

Russian Agricultural Bank Group
Consolidated Statement of Comprehensive Income

In millions of Russian Roubles	*Note*	*2012*	*2011*
Interest income	24	135 903	113 314
Interest expense	24	(79 490)	(59 699)
Net interest income		**56 413**	**53 615**
Provision for loan impairment	2, 11, 12	(26 603)	(22 552)
Net interest income after provision for loan impairment		**29 810**	**31 063**
Fee and commission income	25	7 104	4 834
Fee and commission expense	25	(805)	(631)
Gains less losses/(losses net of gains) from trading securities		8	(76)
Gains less losses/(losses net of gains) from financial instruments designated at fair value through profit or loss		1 854	(749)
(Losses net of gains)/gains less losses from disposal of investment securities available for sale	13	(207)	324
Gains less losses from disposal of investment securities held to maturity	14	158	-
Foreign exchange translation gains less losses/(losses net of gains)		5 042	(8 136)
(Losses net of gains)/gains less losses from derivative financial instruments		(10 035)	3 154
Gains less losses from dealing in foreign currencies		5 310	82
Provision of other assets impairment	16	(192)	(78)
(Losses)/gains from early redemption of debt securities issued	20	(14)	25
Losses net of gains from non-banking activities	26	(3 702)	(1 245)
(Losses)/gains on disposal of subsidiaries	38	(52)	21
Other operating income		326	927
Administrative and other operating expenses	27	(33 785)	(29 165)
Profit before tax		**820**	**350**
Income tax expense	28	(676)	(292)
Profit for the year		**144**	**58**
Other comprehensive income/(loss)			
Securities available for sale:			
- Revaluation of securities at fair value	13	575	(672)
- Realised revaluation reserve (at disposal)	13	207	(324)
Revaluation of premises		341	211
Income tax recorded directly in other comprehensive income	28	(223)	157
Other comprehensive income/(loss) for the year, net of tax		**900**	**(628)**
Total comprehensive income/(loss) for the year		**1 044**	**(570)**
Profit/(loss) is attributable to:			
Owner of the Bank		365	367
Non-controlling interest		(221)	(309)
Profit for the year		**144**	**58**
Total comprehensive income/(loss) is attributable to:			
Owner of the Bank		1 265	(261)
Non-controlling interest		(221)	(309)
Total comprehensive income/(loss) for the year		**1 044**	**(570)**

The notes set out on pages 81 to 162 form an integral part of these consolidated financial statements

Russian Agricultural Bank Group
Consolidated Statement of Changes in Equity

In millions of Russian Roubles	*Note*	*Attributable to owner of the Bank*					*Non-controlling interest*	*Total equity*
		Share capital	*Revaluation reserve for premises*	*Revaluation reserve for securities available for sale*	*Retained earnings*	*Total*		
Balance at 31 December 2010		**108 798**	**933**	**(101)**	**6 851**	**116 481**	**1 117**	**117 598**
Profit/(loss) for the year, net of tax		-	-	-	367	367	(309)	58
Other comprehensive income/(loss), net of tax		-	169	(797)	-	(628)	-	(628)
Total comprehensive income/(loss), net of tax		**-**	**169**	**(797)**	**367**	**(261)**	**(309)**	**(570)**
Share issue	23	40 000	-	-	-	40 000	-	40 000
Realised revaluation reserve for premises, net of tax		-	(52)	-	52	-	-	-
Dividends declared	29	-	-	-	(253)	(253)	-	(253)
Balance at 31 December 2011		**148 798**	**1 050**	**(898)**	**7 017**	**155 967**	**808**	**156 775**
Profit/(loss) for the year, net of tax		-	-	-	365	365	(221)	144
Other comprehensive income, net of tax		-	273	627	-	900	-	900
Total comprehensive income/(loss), net of tax		**-**	**273**	**627**	**365**	**1 265**	**(221)**	**1 044**
Share issue	23	40 000	-	-	-	40 000	-	40 000
Change in ownership interests		-	-	-	-	-	396	396
Realised revaluation reserve for premises, net of tax		-	(53)	-	53	-	-	-
Dividends declared	29	-	-	-	(318)	(318)	-	(318)
Balance at 31 December 2012		**188 798**	**1 270**	**(271)**	**7 117**	**196 914**	**983**	**197 897**

The notes set out on pages 81 to 162 form an integral part of these consolidated financial statements

Russian Agricultural Bank Group
Consolidated Statement of Cash Flows

In millions of Russian Roubles	*Note*	*2012*	*2011*
Cash flows from operating activities			
Interest received		120 322	104 112
Interest paid		(70 989)	(54 586)
(Losses incurred)/income received from trading in securities and financial instruments designated at fair value through profit or loss		(23)	424
(Losses incurred)/income received from derivative financial instruments		(876)	677
Income received from dealing in foreign currencies		5 310	82
Fees and commissions received		7 039	4 930
Fees and commissions paid		(805)	(631)
Other operating income received		372	577
Net insurance income received		994	17
Staff costs paid		(21 285)	(17 831)
Administrative and other operating expenses paid		(13 012)	(9 932)
Income tax paid		(1 847)	(4 462)
Cash flows from operating activities before changes in operating assets and liabilities		**25 200**	**23 377**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(736)	(4 949)
Net (increase)/decrease in trading securities		(18 210)	3 967
Net increase in financial instruments designated at fair value through profit or loss		-	(1 406)
Net increase in due from other banks		(8 673)	(3 147)
Net increase in loans and advances to customers		(178 618)	(225 985)
Net increase in other assets		(133)	(6 378)
Net increase/(decrease) in due to other banks		46 287	(20 899)
Net (decrease)/increase in customer accounts		(51 821)	218 666
Net increase in promissory notes issued		2 983	9 807
Net increase in other liabilities		525	1 271
Net cash used in operating activities		**(183 196)**	**(5 676)**
Cash flows from investing activities			
Acquisition of premises and equipment	15	(1 877)	(1 820)
Proceeds from disposal of premises and equipment		282	75
Acquisition of intangible assets	15	(704)	(416)
Acquisition of investment securities available for sale	13	(91 406)	(116 178)
Proceeds from disposal of investment securities available for sale	13	104 892	51 385
Acquisition of investment securities held to maturity		-	(1 132)
Proceeds from redemption of investment securities held to maturity		3 432	1 625
Acquisition of subsidiaries, net of cash acquired		-	(17)
Cash outflow on disposal of subsidiaries, net of cash disposed of	38	-	(24)
Effect directly associated with disposal groups held for sale		(8)	6
Net cash from/(used in) investing activities		**14 611**	**(66 496)**

The notes set out on pages 81 to 162 form an integral part of these consolidated financial statements

In millions of Russian Roubles	*Note*	*2012*	*2011*
Cash flows from financing activities			
Issue of ordinary shares	23	40 000	40 000
Proceeds from subordinated debts		-	22 434
Repayment of subordinated debts		-	(15 748)
Proceeds from sale of previously bought back subordinated debts		1 148	-
Buy back of subordinated debts		(1 474)	-
Proceeds from debt securities issued	20	112 799	83 564
Repayment of debt securities issued	20	(4 858)	(9 089)
Proceeds from sale of previously bought back debt securities issued		2 318	1 137
Buy back of debt securities issued		(2 419)	(102)
Dividends paid	29	(318)	(253)
Net cash from financing activities		**147 196**	**121 943**
Effect of exchange rate changes on cash and cash equivalents		**(6 228)**	**3 178**
Net (decrease)/increase in cash and cash equivalents		**(27 617)**	**52 949**
Cash and cash equivalents at the beginning of the year	7	133 959	81 010
Cash and cash equivalents at the end of the year	**7**	**106 342**	**133 959**

The notes set out on pages 81 to 162 form an integral part of these consolidated financial statements

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IASB") for the year ended 31 December 2012 for Open Joint-Stock Company Russian Agricultural Bank (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 an open joint-stock company limited by shares and was set up in accordance with Russian regulations.

The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

Principal activity. The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- to participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- to develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- to maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 78 (2011: 78) branches within the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky Pereulok, 3. The Bank's principal place of business is 119019 Russia, Moscow, Arbat, 1.

In August 2011 the Group acquired 100% of shares in Closed Joint-Stock Company «Insurance Company «GazGarant», which was later renamed to Closed Joint-Stock Company «RSHB-Insurance».

The number of the Group's employees as at 31 December 2012 was 35 458 (2011: 35 699).

Presentation currency. These financial statements are 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. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. Refer to Note 33.

In the summer 2012, several Russian regions were affected by abnormal climate conditions (drought). This event had significant negative consequences, including a decrease of wheat harvest, that affected financial state of Bank's borrowers and consequently loan loss provision rates. The Russian Government announced state support for drought-affected regions.

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.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to reliably determine the effects on the Group's future financial position of any potential further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises used in banking activity, investment securities available for sale, and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities), in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to economic obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interest that does not present ownership interest is measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest form a separate component of the Group's equity.

Purchases and sales of non-controlling interest. The Group applies the economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded directly in equity.

The Group recognizes the difference between sales consideration and carrying amount of non-controlling interest sold in the consolidated statement of changes in equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income inrespect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only aproportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments — key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities, which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments, for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see accounting policy for income and expenses recognition).

Initial recognition of financial instruments. Trading securities, derivatives and financial instruments designated at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions with the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise are expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include interbank loans, deposits and reverse sale and repurchase agreements with other banks with original maturity of less than one month. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the consolidated statement of comprehensive income as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Group are recorded as cash and cash equivalents, due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Financial instruments designated at fair value through profit or loss. Financial instruments designated at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and performance of these investments is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by theGroup's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase or as a result of reclassification.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. An investment is not classified as held-to-maturity investment if the Group has the right to require that the issuer repay or redeem the investment before its maturity, because paying for such a feature is inconsistent with expressing an intention to hold the asset until maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. The Group may reclassify financial assets into this category from fair value through profit or loss category in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Investment securities held to maturity are carried at amortised cost.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and significant financial difficulty of the debtor. Refer to Note 12 for the detailed principal criteria to determine whether there is objective evidence that an impairment loss has occurred.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent, to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account through profit or loss for the year.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation).

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of the reporting period.

Promissory notes purchased. Promissory notes purchased are included in trading securities or investment securities held to maturity or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises owned by the Group and used in a banking activity were for the first time revalued at fair value as at 31 December 2007 and are subject to regular subsequent revaluation. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation is recognised by proportionally restating the gross carrying amount and accumulated depreciation of the revalued premises. These changes in values are shown separately in the reconciliation of movements in premises in Note 15. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises owned by the Group and used in non-banking activities are stated at cost less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at historical cost less provision for impairment where required. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following useful lives in years are applied for the main categories of premises and equipment:

Useful lives in years	*Used in banking activities*	*Used in non- banking activities*
Premises	40	20 - 40
Equipment	5 - 20	5 - 20
Leasehold improvements	10	-

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 years.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Earned rental income is recorded in profit or loss within other operating income. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other liabilities. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Inventory. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non- current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash- generating unit, to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks and banking groups. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Promissory notes issued. Promissory notes issued by the Group are carried at amortised cost. If the Group purchases its own promissory notes issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Debt securities issued. Debt securities issued represent amounts attracted from Eurobonds issue and bonds issued on domestic market. Issued Eurobonds and bonds issued on domestic market carry a coupon and are redeemable on a specific date. Debt securities issued are carried at amortised cost. If the Group repurchases its debt securities issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Subordinated debts. Subordinated debts are carried at amortised cost. Creditors' claims on subordinated debts will be considered only after all claims of other creditors of the Group are satisfied.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts (forwards and swaps) and futures on shares are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

If an embedded derivative is separated, the host contract shall be accounted for under IAS 39 Financial Instruments: Recognition and Measurement, and in accordance with other appropriate Standards if it is not a financial instrument. If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss.

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in gains less losses from derivative financial instruments. The Group does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Insurance operations. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of the insurance event, the date of occurrence of the insurance event and the claim value in respect of it.

The insurance contracts protect the Group's individual policyholders from the consequences of events, such as death or total permanent disability, that would affect the ability of the policyholder or his/her dependants to pay the outstanding amount of the underlying consumer loan or credit card's balance. There are no maturity or surrender benefits on the Group's insurance products.

Gross insurance premiums written. Gross insurance premiums written, which the Group is contractually entitled to receive from the insured in relation to insurance contracts, are recognised when due from a policyholder. Specifically, the Group recognises premiums for the policies issued during the year and includes an estimate of premiums due but not yet received by the reporting date, less an allowance for cancellations. Premiums are shown before the deduction of commission. Gross insurance premiums written are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 26.

Provision for unearned premiums. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in-force as at the reporting date, calculated on a time apportionment basis. Provisions for unearned premiums are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 26.

Claims paid. Claims and claims handling expenses are charged to the consolidated statement of comprehensive income as incurred based on the evaluated liability for compensation payable to policyholders or third parties.

Loss provision. The loss provision represents the accumulation of estimates for ultimate insurance losses and includes the outstanding claims reserve ("OCR") and provision for losses incurred but not yet reported ("IBNR"). Estimates of the claims handling expenses of 2% of claim indemnity value in 2012 (2% in 2011) are included in both the OCR and the IBNR.

The OCR is provided in respect of claims reported but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases as at and after the reporting date. IBNR is actuarially determined by the Group.

Deferred acquisition costs. Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include commission to agents for concluding agreements with corporate clients and individuals, commission and brokerage fee for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned. They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and maintenance expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income, initially by writing off DAC and by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision). When performing the liability adequacy test, the Group uses a combination of its own as well as externally available statistics and also includes a security margin. Insurance receivables are included as part of this test.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions on agency services are recognised based on the applicable service contracts.

Revenue recognition — sale of goods. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

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

As at 31 December 2012 the principal rates of exchange used for translating foreign currency balances was USD 1 = RR 30.3727 (2011 USD 1 = RR 32.1961), EUR 1 = RR 40.2286 (2011: EUR 1 = RR 41.6714).

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 33. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires that the consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicated that hyperinflation had ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to share capital. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group makes payments to a non-state pension fund in respect of certain groups of employees (a defined contribution plan). These payments are included in staff expenses in consolidated profit or loss.

Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

In these consolidated financial statements the Group defined operating segments on the basis of organizational structure and geographical areas.

Amendments of the financial statements after issue. Any further changes to these consolidated financial statements require approval of the Group's Management who authorised these consolidated financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, 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 a particular 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 5% increase or decrease in actual loss given default compared to estimated loss given default used would result in an increase or decrease in loan impairment losses of RR 2 011 million (31 December 2011: RR 2 045 million).

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. Refer to Note 35.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. 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 fair reported values.

As at 31 December 2012 an increase in underlying interest rates in RR used for fair value calculation by 100 basis points would result in an increase in fair value of derivatives by RR 3 299 million (31 December 2011: RR 1 958 million), a decrease in underlying interest rates in RR used for fair value calculation by 100 basis points would result in a decrease in fair value of derivatives by RR 3 433 million (31 December 2011: RR 2 035 million) (assuming all other variable do not change).

As at 31 December 2012 an increase in underlying interest rates in USD used for fair value calculation by 10 basis points would result in a decrease in fair value of derivatives by RR 490 million (31 December 2011: RR 382 million), a decrease in underlying interest rates in USD used for fair value calculation by 10 basis points would result in an increase in fair value of derivatives by RR 492 million (31 December 2011: RR 384 million) (assuming all other variable do not change).

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan is to obtain profits in the current and subsequent financial years through widening of product range and client base.

Accounting for subordinated debt from Vnesheconombank. The Russian government provided assistance to the Russian financial system by instructing the Russian State Corporation Bank Razvitiya i Vneshneekonomicheskoy Deyatelnosti ("Vnesheconombank") to grant subordinated debts to selected banks. In October 2008 the Group attracted a subordinated debt from Vnesheconombank in the amount of RR 25 000 million with maturity in December 2019 and interest rate of 8.0% p.a. This subordinated debt was attracted in accordance with the Federal Law # 173-FZ "On supplementary measures to support financial system of the Russian Federation" dated 13 October 2008 (the "Federal Law # 173-FZ").

Due to its unique terms and conditions, subordinated nature and absence of observable current market transactions providing evidence of a market rate for such instruments, the debt was originally recognised and subsequently carried on the consolidated statement of financial position at amortised contractual value.

Had there been evidence that the market interest rate for such debt was higher than the contractual interest rate, the amortised contractual value of the debt would have been replaced by (i) the amortised value of the debt determined based on the fair value of the debt at the date of origination and (ii) the unamortised value of the government grant embedded in such low interest debt; there would have been no impact on the profit or loss for the year since the increased effective interest rate would have been offset by amortisation of the government grant.

Accounting for the change of interest rate on the subordinated debt from Vnesheconombank. In July 2010, Federal Law # 173-FZ was amended to reduce the interest rate on subordinated debt attracted by the Group from Vnesheconombank from 8.0% p.a. to 6.5% p.a. All other terms of the debt remained unchanged.

The Group accounted for such reduction in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and tested whether the modification was substantial. As the modification was not substantial, the Group accounted for the change in the interest rate as a prospective adjustment of the effective interest rate.

The alternative possible accounting treatment could have been to account for the above reduction of interest rate in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" and the difference between the previous and revised carrying value of the debt in the amount of RR 2 375 million would have been recorded as a government grant and included in deferred income within other liabilities and would have to be amortised through interest expense until the debt's maturity date.

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 derecognised, 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. Refer to Note 33.

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

Unless otherwise stated above, the amendments, improvements and interpretations did not have any significant effect on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted.

IFRS 10, Consolidated Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC 12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group does not expect the new standard to have any impact on its consolidated financial statements.

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

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

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

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

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

Amended IAS 19, Employee Benefits, (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards — Government loans, (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

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 consolidated financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning on or after 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 financial statements.

Other revised standards and interpretations: IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Group's consolidated financial statements.

IASB has also issued standards that are not yet enacted in the Russian Federation.

Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of the Group's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

6 New Accounting Pronouncements (Continued)

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group's consolidated financial statements and the timing of its adoption by the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 — Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In millions of Russian Roubles	*2012*	*2011*
Cash on hand	23 284	19 635
Cash balances with the CBRF (other than mandatory reserve deposits)	46 266	33 015
Correspondent accounts and deposits with other banks with original maturities less than one month	34 739	77 225
Settlement accounts with stock and currency exchanges	2 053	3 256
Deals with securities purchased under "reverse-repo agreements" with original maturities of less than one month	-	828
Total cash and cash equivalents	**106 342**	**133 959**

As at 31 December 2011 cash equivalents of RR 828 million are effectively collateralized by securities purchased under reverse sale and repurchase agreements at fair value of RR 956 million. The Group had a right to sell or repledge these securities.

As at 31 December 2012, correspondent accounts and deposits with other banks with original maturities less than one month included the balance with one Russian banking group with rating of its state-owned parent bank BBB (S&P) in the amount of RR 15 878 million or 15% of total cash and cash equivalents (2011: one Russian banking group with rating of its state-owned parent bank BBB (S&P) in the amount of RR 45 505 million or 34% of total cash and cash equivalents).

7 Cash and Cash Equivalents (Continued)

Analysis by credit quality of cash and cash equivalents is as follows:

In millions of Russian Roubles	*2012*	*2011*
Current and not impaired		
Cash on hand	23 284	19 635
Cash balances with the CBRF (other than mandatory reserve deposits)	46 266	33 015
Correspondent accounts and deposits with other banks with original maturities less than one month:		
• top 30 Russian banks (by net assets) and their subsidiary banks	26 112	58 815
• OECD banks and their subsidiary banks	8 313	17 099
• other Russian banks	-	1 303
• other non-resident banks	314	8
Settlement accounts with stock and currency exchanges	2 053	3 256
Deals with securities purchased under “reverse-repo agreements” with original maturities of less than one month:		
• other Russian banks	-	828
Total cash and cash equivalents	**106 342**	**133 959**

Refer to Note 35 for the disclosure of fair value of cash and cash equivalents. Geographical and interest rate analyses of cash and cash equivalents are disclosed in Note 31.

8 Trading Securities

In millions of Russian Roubles	*2012*	*2011*
Promissory Notes	19 220	-
Total trading securities	**19 220**	**-**

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group neither analyse nor monitor impairment indicators.

Analysis by credit quality of debt securities outstanding at 31 December 2012 is as follows:

In millions of Russian Roubles	*Securities internationally rated not lower than BB- (S&P)**	*Securities internationally rated lower than BB- (S&P)**	*Total*
Promissory Notes	17 603	1 617	19 220
Total debt trading securities	**17 603**	**1 617**	**19 220**

* or analogous ratings of other rating agencies

If a security’s rating is unavailable, the issuer’s rating is used.

Promissory notes are represented by promissory notes denominated in Russian Roubles issued at a discount to nominal value by Russian companies. As at 31 December 2012 these promissory notes have maturity date from March to November 2013 and yield to maturity from 7.8% p.a. to 9.8% p.a.

Refer to Note 35 for the disclosure of fair value hierachy for trading securities. Geographical and interest rate analyses of trading securities are disclosed in Note 31.

8 Trading Securities (Continued)

The Group reclassified the following financial assets from held for trading category during 2008:

In millions of Russian Roubles	*Amount reclassified*	*Undiscounted cash flows expected to be recovered*	*Effective interest rate (%)*
Reclassified into held to maturity			
Federal loan bonds (OFZ)	4141	7 825	5.7 - 7.3
Municipal and subfederal bonds	1201	1 698	7.1 - 9.2
Corporate bonds	980	1 411	6.7 - 10.1
Corporate Eurobonds	793	1 300	7.0 - 8.8
Reclassified into available for sale			
Municipal and subfederal bonds	53	56	7.0
Corporate bonds	2 792	3 868	7.3 - 15.4
Corporate Eurobonds	1 959	2 918	6.2 - 11.6
Corporate shares	12	12	-
Total	**11 931**	**19 088**	

The reclassification was made effective from 1 July 2008 when, in management's opinion, the third quarter 2008 collapse in financial markets liquidity and stability commenced, which had also led to the International Accounting Standards Board issuing the amendment allowing reclassifications from that date.

Management believes that the declines in market prices that occurred in the third quarter of 2008 represent a rare event as they are significantly out of line with historical volatilities observed in financial markets.

The carrying amounts and fair values of all financial assets that have been reclassified from trading securities and which were not yet sold or otherwise derecognised, were as follows:

	2012		*2011*	
In millions of Russian Roubles	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*
Reclassified into held to maturity	4 052	3 995	5 774	5 936
Reclassified into available for sale	8	8	292	292
Total	**4 060**	**4 003**	**6 066**	**6 228**

Income or loss recognised for 2012 and fair value gain or loss that would have been recognised if financial assets had not been reclassified were as follows:

	*Income recognised in profit or loss after reclassification**					*Fair value gain/(loss) that would have been recognised if the assets had not been reclassified*				
In millions of Russian Roubles	*2012*	*2011*	*2010*	*2009*	*2008*	*2012*	*2011*	*2010*	*2009*	*2008*
Reclassified into held to maturity	511	486	480	540	482	191	84	441	833	(1 307)
Reclassified into available for sale	4	59	215	492	743	(1)	(40)	74	1 067	(1 612)
Total	**515**	**545**	**695**	**1 032**	**1 225**	**190**	**44**	**515**	**1 900**	**(2 919)**

* Income or loss recognised after reclassification comprises gains less losses from sale, interest income and foreign exchange gains less losses.

9 Repurchase Receivables

In millions of Russian Roubles	*2012*	*2011*
Securities available for sale		
Corporate bonds	-	825
Federal loan bonds (OFZ)	-	443
Municipal and subfederal bonds	-	48
Securities held to maturity		
Corporate bonds	-	1 053
Corporate Eurobonds	20 632	-
Total repurchase receivables	**20 632**	**2 369**

Repurchase receivables relate to the transferred financial assets in transactions that did not qualify for derecognition. As at 31 December 2012 carrying value of liabilities related to securities held to maturity sold under sale and repurchase agreements is RR 17 161 million.

Corporate Eurobonds are securities denominated in Russian Roubles issued by major Russian company rated not lower than BB- (S&P). Corporate Eurobonds are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2012 these bonds have maturity date in November 2016, coupon rate 7.6% p.a. and yield to maturity or next repricing date 8.3% p.a.

Corporate bonds are securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable semi- annually. As at 31 December 2011 these bonds had maturity dates from September 2013 to June 2021, coupon rates from 7.5% to 15.0% p.a. and yield to maturity or next repricing date from 7.6% to 10.4% p.a., depending on the type of the bond issue, the issuer and the market conditions.

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by Ministry of Finance of Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2011 these bonds had maturity dates from June 2017 to March 2018, coupon rate from 7.4% to 7.5% p.a. and yield to maturity from 8.3% to 8.4% p.a. depending on the type of the bond issue and the market conditions.

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2011 these bonds had maturity date in June 2017, coupon rate 8.0% p.a. and yield to maturity 8.7% p.a.

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

In millions of Russian Roubles	*Securities internationally rated not lower than BB-(S&P)**	*Internationally unrated securities*	*Total*
Securities available for sale			
Corporate bonds	536	289	825
Federal loan bonds (OFZ)	443	-	443
Municipal and subfederal bonds	48	-	48
Securities held to maturity			
Corporate bonds	931	122	1 053
Total repurchase receivables	**1 958**	**411**	**2 369**

* or analogous ratings of other rating agencies

If a security's rating is unavailable, the issuer's rating is used.

Refer to Note 35 for the disclosure of fair value hierarchy of repurchase receivables related to securities available for sale and fair values of repurchase receivables related to securities held to maturity. Geographical and interest rate analyses of repurchase receivables are disclosed in Note 31.

10 Financial Instruments Designated at Fair Value Through Profit or Loss

In millions of Russian Roubles	*2012*	*2011*
Credit Linked Note	1 036	848
Due from other banks	11 514	10 377
Total financial instruments designated at fair value through profit or loss	**12 550**	**11 225**

International credit ratings of issuers of the notes and of counterparty banks were not less than BB- (S&P) as at 31 December 2012 (2011: not less than BB- (S&P)).

Management classified financial instruments with embedded derivatives as financial instruments designated at fair value through profit or loss, although there was an option to separate the embedded derivative and value the host contract at amortised cost.

In May 2008, the Group purchased a Credit Linked Note from an OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of the nominal amount with maturity in May 2023 and a zero coupon. The Note has an embedded Credit Default Swap linked to the Bank's own credit risk.

Due from other banks with embedded derivatives are as follows:

In March 2010, the Group placed funds with the OECD bank in the total amount of USD 200 million, with maturity in April 2014 and interest rates of 10.0% and 10.4% p.a. The contracts have embedded derivatives FTD ("first to default"), linked to credit events associated with quasi-sovereign issuers.

In April 2010 and August 2010, the Group placed funds with the OECD bank in the total amount of USD 107 million, with maturity in March 2013 and August 2015 and interest rates of 10.3% and 10.1% p.a. The contracts have embedded derivatives linked to a credit risk of a quasi-sovereign issuer.

In May 2011, the Group placed funds with the OECD bank in the total amount of USD 50 million, with maturity in May 2016, an interest rate of 0.6% p.a. The contract has an embedded option linked to the performance of commodity index.

Refer to Note 35 for the disclosure of fair value hierarchy for financial instruments designated at fair value through profit or loss. Geographical and interest rate analyses of financial instruments designated at fair value through profit or loss are disclosed in Note 31.

11 Due from Other Banks

In millions of Russian Roubles	*2012*	*2011*
Current term placements with other banks	45 886	39 577
Overdue placements with other banks	155	-
Less: Provision for impairment	(111)	(8)
Total due from other banks	**45 930**	**39 569**

Analysis of the movements in the provision for loan impairment for due from other banks is as follows:

In millions of Russian Roubles	*2012*	*2011*
Provision for loan impairment for due from other banks at 1 January	**8**	**23**
Provision/(recovery of provision) for loan impairment for due from other banks during the year	103	(15)
Provision for loan impairment for due from other banks at 31 December	**111**	**8**

11 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks is as follows:

In millions of Russian Roubles	2012	2011
Current and not impaired		
- OECD banks and their subsidiary banks	27 536	25 962
- Other non-resident banks	9 673	5 580
- Top 30 Russian banks (by net assets) and their subsidiary banks	5 075	4 831
- Other Russian banks	3 543	2 898
Total current and not impaired	**45 827**	**39 271**
Individually assessed for impairment		
- watch-list	59	306
- 181 to 365 days overdue	155	-
Total individually assessed for impairment	**214**	**306**
Total due from other banks (before impairment)	**46 041**	**39 577**
Provision for impairment	**(111)**	**(8)**
Total due from other banks	**45 930**	**39 569**

Analysis of amounts due from other banks by collateral is as follows:

In millions of Russian Roubles	2012	2011
Unsecured interbank loans	18 347	10 709
Interbank loans collateralised by:		
- guarantee deposits	24 492	25 962
- securities	523	-
- other assets	2 568	2 898
Total due from other banks	**45 930**	**39 569**

As at 31 December 2012, the Group has placements with one foreign bank with rating A+ (S&P) in the total amount of RR 24 492 million, or 53% of total due from other banks (2011: one foreign bank with rating A+ (S&P) in the total amount of RR 25 962 million, or 66% of total due from other banks).

Refer to Note 35 for the disclosure of fair value of due from other banks. Geographical and interest rate analyses of due from other banks are disclosed in Note 31.

12 Loans and Advances to Customers

In millions of Russian Roubles	*2012*	*2011*
Loans to legal entities		
- Loans to corporates	946 315	796 450
- Lending for food interventions	21 794	33 256
- Deals with securities purchased under “reverse-repo agreements”	-	1 990
- Investments in agricultural cooperatives	396	509
Loans to individuals	199 572	147 403
Total loans and advances to customers (before impairment)	**1 168 077**	**979 608**
Less: Provision for loan impairment	(97 365)	(75 911)
Total loans and advances to customers	**1 070 712**	**903 697**

As at 31 December 2012, included in gross amount of loans are loans in the principal amount of RR 569 898 million (2011: RR 502 982 million), where borrowers are eligible for interest subsidies from federal and regional budgets. Subsidies are paid directly to the borrowers.

Lending for food interventions is represented by loans to a company, which is 51% owned by the Federal Government of the Russian Federation (2011: 100% owned).

As at 31 December 2012, the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 138 884 million (before impairment), or 12% of total loans and advances to customers (2011: the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 118 011 million (before impairment), or 12% of total loans and advances to customers).

Investments in agricultural cooperatives represent contributions made by the Group as part of its participation in the National Project “Development of the Agro-Industrial Sector”. According to the contracts with cooperatives the Group receives fixed annual dividends at the rate 1/2 of the rate of refinancing of CBRF of the contributions made. The Group’s management has a right to make cooperative member contributions for the period of 5 years and at the end to withdraw its contributions.

As at 31 December 2011, loans and advances to customers in the amount of RR 1 990 million were effectively collateralised by securities purchased under reverse repo agreements with a fair value RR 2 348 million.The Group had the right to sell or repledge securities.

Analysis of the movements in the provision for loan impairment is as follows:

	2012				*2011*			
In millions of Russian Roubles	*Loans to corporates*	*Investments in agricultural cooperatives*	*Loans to individuals*	*Total*	*Loans to corporates*	*Investments in agricultural cooperatives*	*Loans to individuals*	*Total*
Provision for loan impairment at 1 January	**73 084**	**18**	**2 809**	**75 911**	**54 769**	**23**	**2 237**	**57 029**
Provision/(recovery of provision) for loan impairment during the year	24 208	(2)	2 294	26 500	22 000	(5)	572	22 567
Provision for loans sold during the year	(721)	-	-	(721)	(3 203)	-	-	(3 203)
Loans and advances to customers written off during the year as uncollectible	(4 314)	-	(11)	(4 325)	(467)	-	-	(467)
Reclassification to assets of disposal groups held for sale	-	-	-	-	(15)	-	-	(15)
Provision for loan impairment at 31 December	**92 257**	**16**	**5 092**	**97 365**	**73 084**	**18**	**2 809**	**75 911**

No provision for "Lending for food interventions" and "Reverse repo agreements" was recorded as at 31 December 2012 and 2011.

The economic sector structure of the credit portfolio is as follows:

	2012		2011	
In millions of Russian Roubles	*Amount*	*%*	*Amount*	*%*
Agriculture	613 089	53	543 731	55
Individuals	199 572	17	147 403	15
Manufacturing	150 113	13	126 716	13
Trading	103 387	9	85 529	9
Construction	40 169	3	35 111	4
Other	61 747	5	41 118	4
Total loans and advances to customers (before impairment)	**1 168 077**	**100**	**979 608**	**100**

As at 31 December 2012, the aggregate amount of loans to individuals included loans in the principal amount of RR 75 162 million issued to individuals-sole farmers (2011: RR 61 884 million).

Loan portfolio analysis by credit quality. The Group estimates credit risk on the basis of professional judgement pronounced upon completing a comprehensive review of a borrower's activities taking into account their financial situation, debt service quality as well as all other information available to the Group related to any other risks of the borrower.

In reviewing the corporate borrower's financial position the Group applies a system of coefficients according to which the borrower's financial situation is assessed as follows:

- *good* if the total score in evaluation of financial situation using the coefficient approach is 53 or more;
- *average* if the total score in evaluation of financial situation using the coefficient approach ranges from 52 to 25 (inclusive);
- *poor* if the total score in evaluation of financial situation using the coefficient approach is less than 25.

In accordance with the methodology of financial assets impairment evaluation, the Group includes loans, for which there is no identified loss event and/or a borrower/debtor default into the category "collectively assessed for impairment".

As a loss event the Group recognizes objective evidence of asset impairment that emerged subsequent to initial recognition, namely:

- *for loans issued to legal entities (including individual entrepreneurs – sole farmers):*
  - significant financial difficulty of the borrower – changes in financial position from the moment when the loan is issued from good or average to poor (score of 24 and below in accordance with the methodology of evaluation and analysis of the Group's borrower financial position taking into consideration their industry, organisational and legal specifics);
  - breach of contract – principal or interest overdue by more than 5 days;
- *for loans issued to individuals:*
  - significant financial difficulty of the borrower – changes in the scoring of the borrower's financial position from the moment when the loan was issued from good to poor. i.e., loss or significant decrease in income or cost of property, out of which the individual intended to repay the debt (e.g., termination of labour relations between the employer and the individual if the latter has no significant savings, existence of court decisions on bringing the individual to criminal responsibility in the form of imprisonment that came into effect, existence of documentarily supported information of revocation of the license from the credit institution with which the individual's deposit is placed, if failure to receive this deposit impacts the ability of the individual borrower to fulfil his/her obligations on the loan);
  - breach of contract – principal or interest overdue by more than 30 days.

As a default of a borrower/debtor, the Group recognizes objective evidence that it is impossible for the creditor to claim future cash flows due under the contract, unless the collateral is used (default of the borrower/debtor), namely:

- *for legal entities (including individual entrepreneurs — sole farmers):*
  - the debtors excluded from the Single State Register of Legal Entities without legal succession (based upon the results of completed bankruptcy proceedings or on the basis of court decision on liquidation of the borrower at the presentation of the authorised body);
  - the debtors, with respect to whom bankruptcy proceedings are completed but they are not excluded from the Single State Register of Legal Entities;
  - the debtors, with respect to whom bankruptcy proceedings are conducted however the court has rejected the claim to include the amounts payable to the Bank into the register of creditors and/or there is no actual property used as a collateral that belongs to these debtors;
  - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a write-off execution is impossible due to expiry of the term, during which it can be presented for execution;
  - the debtors, who actually discontinued their operation and with respect to whom there exists a documentary confirmation of their actual absence; and
  - principal or interest overdue by over 365 days;
- *for individuals:*
  - death of the debtor in the absence of heirs and inheritance;
  - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a writ of execution is impossible due to expiry of the term, during which it can be presented for execution;
  - principal or interest overdue by over 365 days; and
  - the debtors, who do not reside at the place of residence indicated in the loan agreement and with respect to whom it is impossible to identify the new place of residence.

Lending for food interventions and reverse repo agreements are assessed for impairment by the Group on the individual basis as the nature of the borrowers/products is unique and exposures could not be grouped with others.

12 Loans and Advances to Customers (Continued)

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

In millions of Russian Roubles	*Loans to corporates*	*Lending for food interventions*	*Investments in in agricultural cooperatives*	*Loans to dividuals*	*Total*
1. Current and not impaired					
- good financial position	-	21 794	-	-	21 794
Total current and not impaired	**-**	**21 794**	**-**	**-**	**21 794**
2. Collectively assessed for impairment					
Current					
- good financial position	412 545	-	396	-	412 941
- average financial position	207 416	-	-	-	207 416
- included in portfolios of similar risk loans	-	-	-	190 664	190 664
Overdue					
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	18 079	-	-	1 473	19 552
Total collectively assessed for impairment	**638 040**	**-**	**396**	**192 137**	**830 573**
3. Individually assessed for impairment					
- watch list	183 037	-	-	-	183 037
- poor financial position	8 079	-	-	-	8 079
- 6 to 30 days overdue	5 090	-	-	-	5 090
- 31 to 90 days overdue	11 447	-	-	1 320	12 767
- 91 to 180 days overdue	12 972	-	-	1 482	14 454
- 181 to 365 days overdue	19 584	-	-	2 217	21 801
- over 365 days overdue	68 066	-	-	2 416	70 482
Total individually assessed for impairment	**308 275**	**-**	**-**	**7 435**	**315 710**
Total loans and advances to customers (before impairment)	**946 315**	**21 794**	**396**	**199 572**	**1 168 077**
Provision for loan impairment	**(92 257)**	**-**	**(16)**	**(5 092)**	**(97 365)**
Total loans and advances to customers	**854 058**	**21 794**	**380**	**194 480**	**1 070 712**

12 Loans and Advances to Customers (Continued)

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

In millions of Russian Roubles	*Loans to corporates*	*Lending for food interventions*	*Reverse repo agreements*	*Investments in agricultural cooperatives*	*Loans to individuals*	*Total*
1. Current and not impaired						
- good financial position	-	33 256	1 990	-	-	35 246
Total current and not impaired	**-**	**33 256**	**1 990**	**-**	**-**	**35 246**
2. Collectively assessed for impairment						
Current						
- good financial position	389 123	-	-	509	-	389 632
- average financial position	193 421	-	-	-	-	193 421
- included in portfolios of similar risk loans	441	-	-	-	143 244	143 685
Overdue						
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	9 427	-	-	-	1 002	10 429
Total collectively assessed for impairment	**592 412**	**-**	**-**	**509**	**144 246**	**737 167**
3. Individually assessed for impairment						
- watch list	120 524	-	-	-	-	120 524
- poor financial position	2 972	-	-	-	-	2 972
- 6 to 30 days overdue	3 244	-	-	-	-	3 244
- 31 to 90 days overdue	8 452	-	-	-	470	8 922
- 91 to 180 days overdue	8 680	-	-	-	338	9 018
- 181 to 365 days overdue	16 324	-	-	-	394	16 718
- over 365 days overdue	43 842	-	-	-	1 955	45 797
Total individually assessed for impairment	**204 038**	**-**	**-**	**-**	**3 157**	**207 195**
Total loans and advances to customers (before impairment)	**796 450**	**33 256**	**1 990**	**509**	**147 403**	**979 608**
Provision for loan impairment	**(73 084)**	**-**	**-**	**(18)**	**(2 809)**	**(75 911)**
Total loans and advances to customers	**723 366**	**33 256**	**1 990**	**491**	**144 594**	**903 697**

Overdue loans represent not only past due payments but the whole outstanding balances of such loans.

12 Loans and Advances to Customers (Continued)

Loans included in the watch list are in the process of restructuring and/or renegotiation. Watch list includes loans and advances to customers overdue from 6 to 180 days of RR 9 051 million (2011: RR 14 879 million) and loans and advances to customers overdue more than 180 days of RR 89 672 million (2011: RR 46 439 million). The remaining loans included in the watch list are not overdue.

Loans included in portfolio with similar risk loans consist of small value loans with homogeneous credit characteristics without any signs of impairment. According to internal policies the bank before granting each particular loan analyses sufficiency of earnings and collateral (where applicable), obtains confirmation from external sources on positive credit history and reputation of each borrower. Current collectivelly assessed loans to individuals comprises: loans to the sole farmers — 37% (2011: 42%), mortgage loans — 14% (2011: 11%) and consumer and other individual loans — 49% (2011: 47%).

The table below summarizes the results of quality analysis of the loan portfolio:

In millions of Russian Roubles	*2012*	*2011*
Current loans	925 208	824 162
Past due instalments	147 290	92 816
Current portion of past due loans	95 579	62 630
Provision for loan impairment	(97 365)	(75 911)
Total loans and advances to customers	**1 070 712**	**903 697**

Loan collateral

The Group accepts different types of collateral, such as: inventories (finished products, raw materials, goods in turnover), equipment, including agricultural machinery, motor vehicles, real estate, land plots, construction in progress, sea and other vessels, farm animals, future crop, property acquired in the future, property rights, warranties, banking guarantees, government guarantees of Russian Federation and municipal guarantees.

Where appropriate, the value of collateral was incorporated in the assessment of recoverable amount of loans and advances to customers.

Among other measures aimed at credit enhancement is the Group's requirement to insure the subject of collateral. Property is insured by insurance companies that have accreditation and a cooperation agreement with the Bank.

The Group monitors the condition and reviews the structure of the collateral. The primary purpose of the review of the structure of collateral as well as monitoring of the collateral rights by the Group include:

- obtaining complete and objective information on the available collateral property and its structure;
- development of optimal schemes of realisation of collateral rights with account for the specifics of regional distribution;
- improving the effectiveness and timeliness of collateral foreclosure process;
- preparation of statistical and analytical information for the Group management;
- control over the Group's regional branches with respect to issued loans.

The majority of collateral (over 76%) (2011: over 78%) relates to the following types: real estate – 49% (2011: 49%), equipment – 17% (2011: 17%) and goods in turnover – 10% (2011: 12%).

According to the Group's internal documents it is allowed to issue unsecured loans in the following cases:

- for legal entities – overdrafts; and
- for individuals – loans up to RR 50 thousand under the program "Sadovod"; loans up to RR 700 thousand under the program "Loans to the sole farmers"; loans up to RR 750 thousand (or equivalent in foreign currency) under the program "Consumer loan without collateral"; loans up to RR 3 million (or equivalent in foreign currency) under the program "Credit card" and overdrafts (up to RR 300 thousand or equivalent in foreign currency).

The financial effect of collateral is presented by disclosing collateral values separately for (i) those loans and advances to customers where collateral and other credit enhancements are equal to, or exceed, gross amount (before impairment) of the asset ("over-collateralised assets") and (ii) those loans and advances to customers where collateral and other credit enhancements are less than the gross amount (before impairment) of the asset ("under-collateralised assets").

The effect of collateral at 31 December 2012 was as follows:

	Over-collateralised assets		*Under-collateralised assets*	
In millions of Russian Roubles	*Loans and advances to customers (before impairment)*	*Fair value of collateral*	*Loans and advances to customers (before impairment)*	*Fair value of collateral*
Loans to legal entities				
- Loans to corporates	685 328	1 246 640	260 987	75 496
- Lending for food interventions	74	74	21 720	9 566
- Investments in agricultural cooperatives	-	-	396	-
Loans to individuals	26 389	55 117	173 183	979
Total	**711 791**	**1 301 831**	**456 286**	**86 041**

The effect of collateral at 31 December 2011 was as follows:

	Over-collateralised assets		*Under-collateralised assets*	
In millions of Russian Roubles	*Loans and advances to customers (before impairment)*	*Fair value of collateral*	*Loans and advances to customers (before impairment)*	*Fair value of collateral*
Loans to legal entities				
- Loans to corporates	544 897	1 168 542	251 553	25 268
- Lending for food interventions	31 087	31 087	2 169	446
- Deals with securities purchased under "reverse-repo agreements"	1 990	2 348	-	-
- Investments in agricultural cooperatives	-	-	509	-
Loans to individuals	18 543	35 597	128 860	770
Total	**596 517**	**1 237 574**	**383 091**	**26 484**

Refer to Note 35 for the disclosure of fair value of each class of loans and advances to customers. Geographical and interest rate analyses of loans and advances to customers are disclosed in Note 31. The information on related party transactions is disclosed in Note 37.

13 Investment Securities Available for Sale

In millions of Russian Roubles	*2012*	*2011*
Corporate bonds	34 805	44 083
Federal loan bonds (OFZ)	7 629	8 003
Municipal and subfederal bonds	1 101	1 140
Corporate Eurobonds	489	22 650
State Eurobonds	-	707
Corporate shares	12	12
Total investment securities available for sale	**44 036**	**76 595**

The primary factor that the Group considers in determining whether a debt security is impaired is its overdue status.

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2012 is as follows:

In millions of Russian Roubles	*Securities internationally rated not lower than BB- (S&P)**	*Securities internationally rated lower than BB- (S&P)**	*Internationally unrated securities*	*Total*
Corporate bonds	25 247	8 127	1 431	34 805
Federal loan bonds (OFZ)	7 629	-	-	7 629
Municipal and subfederal bonds	1 047	54	-	1 101
Corporate Eurobonds	238	251	-	489
Total debt investment securities available for sale	**34 161**	**8 432**	**1 431**	**44 024**

* or analogous ratings of other rating agencies

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	*Securities internationally rated not lower than BB- (S&P)**	*Securities internationally rated lower than BB- (S&P)**	*Internationally unrated securities*	*Total*
Corporate bonds	35 368	5 466	3 249	44 083
Corporate Eurobonds	21 743	907	-	22 650
Federal loan bonds (OFZ)	8 003	-	-	8 003
Municipal and subfederal bonds	1 038	102	-	1 140
State Eurobonds	707	-	-	707
Total debt investment securities available for sale	**66 859**	**6 475**	**3 249**	**76 583**

* or analogous ratings of other rating agencies

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or annually depending on the type of the bond issue and the issuer. As at 31 December 2012 these bonds have maturity dates from February 2013 to November 2024 (2011: from January 2012 to January 2025), coupon rates from 6.7% to 14.5% p.a. (2011: from 6.3% to 14.8% p.a.) and yield to maturity or next repricing date from 6.8% to 17.0% p.a. (2011: from 6.1% to 14.9%p.a), depending on the type of the bond issue, the issuer and the market conditions.

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by Ministry of Finance of Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2012 these bonds have maturity date from July 2022 to February 2027 (2011: from February 2013 to March 2018), coupon rate from 7.6% to 8.2% p.a. (2011: 6.7% to 12.0% p.a.) and yield to maturity from 6.9% p.a to 7.1% p.a. (2011: 6.7% to 8.4% p.a.) depending on the type of the bond issue and the market conditions.

Corporate Eurobonds are bonds denominated in USD and in Russian Roubles issued by major Russian companies. As at 31 December 2012 these bonds have maturity dates from December 2016 to April 2021 (2011: from April 2014 to September 2017), coupon rates from 7.6% to 7.8% p.a. (2011: 5.4% to 9.8% p.a.), payable semi-annually, and yield to maturity or next repricing date from 6.2% to 8.9% p.a. (2011: from 5.5% to 10.6%p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Municipal and subfederal bonds are represented by Russian Roubles bonds of Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2012 these bonds have maturity dates from December 2014 to November 2018 (2011: June 2012 to June 2017), coupon rates from 7.0% to 8.9% p.a. (2011: from 7.6% to 9.3% p.a.) and yield to maturity or next repricing date from 7.8% to 8.7% p.a. (2011: from 6.8% to 9.0% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

State Eurobonds are represented by Russian Federation bonds denominated in USD and in Russian Roubles. As at 31 December 2011 these bonds had maturity dates from March 2018 to March 2030, coupon rate from 7.5% p.a. to 7.9% p.a., payable semi-annually, and yield to maturity from 4.6% p.a. to 7.6% p.a.

The movements in investment securities available for sale are as follows:

In millions of Russian Roubles	*Note*	*2012*	*2011*
Carrying amount at 1 January		**76 595**	**15 687**
Purchases		91 406	116 178
Addition in the result of acquisition of subsidiary		-	14
Reclassification to investment securities held to maturity		(20 729)	(17 187)
Fair value gains less losses		575	(672)
Realised revaluation reserve (at disposal)		207	(324)
Interest income accrued	24	4 133	4 441
Interest income received		(4 345)	(3 554)
Proceeds from disposal		(104 892)	(51 385)
Foreign exchange differences gains less losses		(230)	91
Reclassification from Repurchase receivables	9	1 316	13 306
Carrying amount at 31 December		**44 036**	**76 595**

During 2011, 2012 the Group reclassified financial assets from the available-for-sale category. The amount of all financial assets that have been reclassified from investment securities available for sale and which were not yet sold or otherwise derecognised, were as follows:

In millions of Russian Roubles	*Amount reclassified*	*Undiscounted cash flows expected to be recovered*	*Effective interest rate (%)*
Reclassified into held to maturity during 2011			
Corporate bonds	14 370	20 400	6.6 - 8.9
Municipal and subfederal bonds	2 641	3 099	7.7 - 8.1
Reclassified into held to maturity during 2012			
Corporate Eurobonds	20 721	27 230	6.7
Corporate bonds	8	9	7.1
Total	**37 740**	**50 738**	

The Group reclassified financial assets from the available-for-sale category as result of reassessment of its intention to held to maturity in 2011, 2012.

Refer to Note 35 for the disclosure of the fair value hierachy for investment securities available for sale. Geographical and interest rate analyses of investment securities available for sale are disclosed in Note 31.

14 Investment Securities Held to Maturity

In millions of Russian Roubles	*2012*	*2011*
Corporate bonds	14 916	14 306
State Eurobonds	6 659	7 058
Municipal and subfederal bonds	3 403	3 732
Federal Loan bonds (OFZ)	2 754	3 196
Corporate Eurobonds	267	1 564
Promissory notes	-	1 463
Total investment securities held to maturity	**27 999**	**31 319**

Analysis by credit quality of investment securities held to maturity at 31 December 2012 is as follows:

In millions of Russian Roubles	*Securities internationally rated not lower than BB- (S&P)**	*Securities internationally rated lower than BB- (S&P)**	*Total*
Corporate bonds	14 275	641	14 916
State Eurobonds	6 659	-	6 659
Municipal and subfederal bonds	2 985	418	3 403
Federal Loan bonds (OFZ)	2 754	-	2 754
Corporate Eurobonds	267	-	267
Total investment securities held to maturity	**26 940**	**1 059**	**27 999**

* or analogous ratings of other rating agencies

14 Investment Securities Held to Maturity (Continued)

Analysis by credit quality of investment securities held to maturity at 31 December 2011 is as follows:

In millions of Russian Roubles	*Securities internationally rated not lower than BB- (S&P)**	*Securities internationally rated lower than BB- (S&P)**	*Internationally unrated securities*	*Total*
Corporate bonds	13 476	-	830	14 306
State Eurobonds	7 058	-	-	7 058
Municipal and subfederal bonds	3 328	404	-	3 732
Federal Loan bonds (OFZ)	3 196	-	-	3 196
Corporate Eurobonds	1 564	-	-	1 564
Promissory notes	-	1 463	-	1 463
Total investment securities held to maturity	**28 622**	**1 867**	**830**	**31 319**

* or analogous ratings of other rating agencies

If a security's rating is unavailable, the issuer's rating is used.

The primary factor that the Group considers when deciding whether a debt security is impaired is its overdue status. Since the Group did not have overdue securities held to maturity, no provisions for impairment of these securities were recognised.

Corporate bonds are represented by securities denominated in Russian Roubles, issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or annually, depending on the type of the bond issue and the issuer. As at 31 December 2012 these bonds have maturity dates from September 2013 to July 2023 (2011: from October 2012 to July 2023), coupon rates from 6.7% to 15.0% p.a. (2011: from 7.0% to 15.0% p.a.) and yield to maturity or next repricing date from 6.8% to 9.3% p.a. (2011: from 6.6% to 9.8% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

State Eurobonds are represented by Russian Federation bonds denominated in USD. As at 31 December 2012 these bonds have maturity date in April 2020 (2011: in April 2020), coupon rate 5.0% p.a.(2011: 5.0% p.a) payable semi-annually, and yield to maturity 2.3% p.a. (2011: 4.6% p.a.).

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities denominated in Russian Roubles. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2012 these bonds have maturity dates from November 2013 to December 2015 (2011: from June 2012 to December 2015), coupon rates from 7.0% to 13.0% p.a. (2011: from 7.0% to 14.0% p.a.) and yield to maturity from 6.9% to 9.0% p.a. (2011: from 7.1% to 8.9% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Federal Loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. As at 31 December 2012 these OFZ have maturity dates from July 2013 to February 2036 (2011: from July 2012 to February 2036), coupon rates from 6.0% to 7.0% p.a. (2011: from 6.1% to 8.0% p.a.) payable quarterly or semi-annually, and yield to maturity from 6.0% to 7.6% p.a. (2011: from 6.0% to 8.2% p.a.), depending on the type of the bond issue and the market conditions.

Corporate Eurobonds are interest bearing securities denominated in USD, issued by major Russian companies. As at 31 December 2012 these bonds have maturity dates from March 2013 to June 2013 (2011: from January 2012 to August 2037), coupon rates from 7.9% to 9.6% p.a. (2011: from 6.7% to 9.6%p.a.) payable semi-annually, and yield to maturity or next repricing date from 1.0% to 1.8% p.a. (2011: from 3.5% to 8.5% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Promissory notes are represented by promissory notes denominated in USD at a discount to nominal value issued by one Russian bank. As at 31 December 2011 these promissory notes had maturity date in November 2013 and yield to maturity 9.0% p.a.

Refer to Note 35 for the disclosure of the fair value of investment securities held to maturity. Geographical and interest rate analyses of securities held to maturity are disclosed in Note 31.

15 Premises, Equipment and Intangible Assets

In millions of Russian Roubles	*Note*	*Used in banking activities*				*Used in non-banking activities*			*Total premises and equip-ment*	*Intangible assets*	*Total*
		Office prem-ises	*Leasehold (premises) improve-ments*	*Office and computer equipment*	*Land*	*Production premises*	*Equip-ment*	*Land*			
Cost or valuation at 1 January 2011		8 500	1 562	5 969	350	11 883	1 819	61	30 144	2 359	32 503
Accumulated depreciation		(489)	(462)	(2 168)	-	(840)	(200)	-	(4 159)	(796)	(4 955)
Carrying amount at 1 January 2011		**8 011**	**1 100**	**3 801**	**350**	**11 043**	**1 619**	**61**	**25 985**	**1 563**	**27548**
Additions		664	34	743	37	405	121	57	2 061	416	2 477
Disposals		(6)	(29)	(76)	(1)	(6)	(19)	-	(137)	-	(137)
Depreciation charge: before revaluation	26, 27	(165)	(166)	(965)	-	(563)	(132)	-	(1 991)	(448)	(2 439)
Depreciation charge: realised revaluation reserve and revaluation loss	27	(17)	-	-	-	-	-	-	(17)	-	(17)
Changes in accumulated depreciation resulting from revaluation		(34)	-	-	-	-	-	-	(34)	-	(34)
Reclassification to assets of the disposal groups held for sale		-	-	-	-	(560)	(214)	-	(774)	-	(774)
Carrying amount at 31 December 2011		**8 453**	**939**	**3 503**	**386**	**10 319**	**1 375**	**118**	**25 093**	**1 531**	**26 624**
Cost or valuation at 31 December 2011		9 158	1 545	6 490	386	11 688	1 660	118	31 045	2 775	33 820
Accumulated depreciation		(705)	(606)	(2 987)	-	(1 369)	(285)	-	(5 952)	(1 244)	(7 196)
Carrying amount at 31 December 2011		**8 453**	**939**	**3 503**	**386**	**10 319**	**1 375**	**118**	**25 093**	**1 531**	**26 624**

15 Premises, Equipment and Intangible Assets (Continued)

In millions of Russian Roubles	*Note*	*Used in banking activities*				*Used in non-banking activities*			*Total premises and equipment*	*Intangible assets*	*Total*
		Office premises	*Leasehold (premises) improvements*	*Office and computer equipment*	*Land*	*Production premises*	*Equipment*	*Land*			
Cost or valuation at 1 January 2012		9 158	1 545	6 490	386	11 688	1 660	118	31 045	2 775	33 820
Accumulated depreciation		(705)	(606)	(2 987)	-	(1 369)	(285)	-	(5 952)	(1 244)	(7 196)
Carrying amount at 1 January 2012		**8 453**	**939**	**3 503**	**386**	**10 319**	**1 375**	**118**	**25 093**	**1 531**	**26 624**
Additions		638	16	608	-	572	44	53	1 931	704	2 635
Disposals		(233)	(23)	(44)	-	(801)	(188)	(72)	(1 361)	-	(1 361)
Disposal of entities	38	-	-	-	-	(1 139)	(32)	-	(1 171)	-	(1 171)
Depreciation charge: before revaluation	26, 27	(212)	(160)	(963)	-	(487)	(93)	-	(1 915)	(512)	(2 427)
Depreciation charge: realised revaluation reserve and revaluation loss	27	(17)	-	-	-	-	-	-	(17)	-	(17)
Changes in gross carrying value resulting from revaluation		588	-	-	-	-	-	-	588	-	588
Changes in accumulated depreciation resulting from revaluation		(80)	-	-	-	-	-	-	(80)	-	(80)
Carrying amount at 31 December 2012		**9 137**	**772**	**3 104**	**386**	**8 464**	**1 106**	**99**	**23 068**	**1 723**	**24 791**
Cost or valuation at 31 December 2012		10 147	1 515	6 910	386	9 936	1 306	99	30 299	3 479	33 778
Accumulated depreciation		(1 010)	(743)	(3 806)	-	(1 472)	(200)	-	(7 231)	(1 756)	(8 987)
Carrying amount at 31 December 2012		**9 137**	**772**	**3 104**	**386**	**8 464**	**1 106**	**99**	**23 068**	**1 723**	**24 791**

Non-banking premises are mainly represented by grain storages and production premises related to subsidiaries activities.

Intangible assets mainly include capitalised computer software.

Construction in progress in respect of banking and non-banking premises at 31 December 2012 was RR 315 million (2011: RR 1 259 million).

Carrying amount of office premises without revaluation at 31 December 2012 is RR 8 157 million (2011: RR 7 935 million), including cost in amount of RR 8 910 million (2011: RR 8 478 million) and accumulated depreciation of RR 753 million (2011: RR 543 million). As at 31 December 2012 and 31 December 2011 premises were independently valued. The valuation was carried out by an independent appraisers firm, Institute of Valuation of Property and Financial Activity Ltd, which hold a relevant professional qualification and which have recent experience in valuation of assets of similar location and category.

16 Other Assets

In millions of Russian Roubles	*Note*	*2012*	*2011*
Non-financial assets			
Repossessed collateral		5 766	5 334
Prepayment for goods		1 141	2 572
Prepayment for services		368	389
Inventory		274	1 050
Prepaid taxes		84	69
Goodwill		8	8
Other		18	9
Financial assets			
Settlements on banking cards		4 930	3 850
Trade receivables		828	1 253
Settlements on funds transfer operations		686	165
Insurance assets		644	118
Restricted cash	33	202	202
Other		1 209	1 132
Provision for impairment of other financial assets		(434)	(247)
Total other assets		**15 724**	**15 904**

Repossessed collateral mainly represents the land and production. The Group is not going to use repossessed collateral in its own operations. The Group is currently assessing the possibility of disposal of the assets in the future.

Trade receivables, inventory and prepayment for goods are related to trade activities of subsidiaries.

The movements in the provision for impairment of other financial assets are as follows:

In millions of Russian Roubles	*2012*	*2011*
Provision for impairment of other financial assets at 1 January	**247**	**167**
Provision for impairment of other financial assets during the year	193	78
Reclassification to assets of the disposal groups held for sale	-	3
Other financial assets written off during the year as uncollectible	(6)	(1)
Provision for impairment of other financial assets at 31 December	**434**	**247**

16 Other Assets (Continued)

The movements in repossessed collateral are as follows:

In millions of Russian Rouble	*Note*	*2012*	*2011*
Repossessed collateral at 1 January		**5 334**	**5 395**
Additions for the year		473	138
Disposal for the year		(1)	(157)
Depreciation charge	27	(40)	(42)
Repossessed collateral at 31 December		**5 766**	**5 334**

As at 31 December 2012, the fair value of repossessed collateral was RR 5 527 million (2011: RR 5 486 million).

Significant part of repossessed collateral was evaluated by an independent appraisers firm, Institute of Valuation of Property and Financial Activity Ltd, which hold a relevant professional qualification and which have experience in valuation of assets of similar location and category.

Refer to the Note 35 for the disclosure of fair value of other financial assets. Geographical analysis of other assets is disclosed in Note 31.

17 Due to Other Banks

In millions of Russian Roubles	*2012*	*2011*
Borrowings from other banks with term to maturity:		
- sale and repurchase agreements less than 30 days	-	2 006
- sale and repurchase agreements from 181 days to 1 year	17 161	-
- less than 30 days	33 100	3 090
- from 31 to 180 days	32 538	2 678
- from 181 days to 1 year	23 783	14 297
- from 1 year to 3 years	5 526	49 504
- more than 3 years	13 662	18 490
Borrowings from the CBRF with term to maturity:		
- less than 30 days	22	-
- from 31 to 180 days	10 000	-
Correspondent accounts and overnight placements of other banks	551	352
Total due to other banks	**136 343**	**90 417**

As at 31 December 2012, the Group had balances due to two foreign bank with the aggregated amount of RR 52 087 million, or 38% of total due to other banks (2011: due to one foreign bank with the aggregated amount of RR 31 105 million, or 34% of total due to other banks).

Refer to Note 35 for the disclosure of the fair value of due to other banks. Geographical, maturity and interest rate analyses of due to other banks are disclosed in Note 31.

18 Customer Accounts

In millions of Russian Roubles	*2012*	*2011*
State and public organisations		
- Current/settlement accounts	9 672	4 757
- Term deposits	67 549	192 706
Other legal entities		
- Current/settlement accounts	65 379	57 226
- Term deposits	226 981	201 264
- Sale and repurchase agreements with securities	-	89
Individuals		
- Current/demand accounts	32 940	23 556
- Term deposits	154 955	127 697
Total customer accounts	**557 476**	**607 295**

State and public organisations exclude state-controlled joint-stock companies.

Economic sector concentrations within customer accounts are as follows:

	2012		*2011*	
In millions of Russian Roubles	*Amount*	*%*	*Amount*	*%*
Individuals	187 895	34	151 253	25
Financial services and pension funds	121 474	22	88 081	15
State and public organisations	77 221	14	197 463	33
Agriculture	36 189	6	23 149	3
Insurance	35 579	6	38 740	6
Manufacturing	25 382	5	33 718	6
Trading	18 292	3	18 795	3
Construction	17 766	3	13 755	2
Telecommunication	5 605	1	9 046	1
Leasing	1 591	1	9 662	2
Other	30 482	5	23 633	4
Total customer accounts	**557 476**	**100**	**607 295**	**100**

As at 31 December 2012, the Group had four customers with balances above RR 19 000 million (2011: four customers with balances above RR 15 000 million). The aggregate balance of these customers was RR 119 756 million, or 21% of total customer accounts (2011: RR 197 372 million, or 33% of total customer accounts).

As at 31 December 2012, customer accounts include secured deposit of RR 5 700 million (2011: RR 6 168 million). The deposit was secured by State Eurobonds with carring value of RR 6 659 million (2011: RR 7 058 million). Refer to Note 33.

Refer to Note 35 for the disclosure of the fair value of customer accounts. Geographical, interest rate and maturity analyses of customer accounts are disclosed in Note 31. The information on related party balances is disclosed in Note 37.

19 Promissory Notes Issued

In millions of Russian Roubles	*2012*	*2011*
Promissory notes issued	23 234	20 129
Total promissory notes issued	**23 234**	**20 129**

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles and US dollars with effective interest rate from 0% p.a. (for promissory notes on demand) up to 9% p.a. and maturity dates from January 2013 to December 2020 (2011: promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles, US dollars and Euros with effective interest rate from 0% p.a. (for promissory notes on demand) up to 11% p.a. and maturity dates from January 2012 to December 2016).

As at 31 December 2012, promissory notes issued, which were initially purchased by one counterparty, amounted to RR 15 155 million or 65% of total promissory notes issued by the Group (2011: one counterparty, amounted to RR 13 969 million or 69% of total promissory notes issued by the Group).

Refer to Note 35 for the disclosure of the fair value of promissory notes issued. Geographical, maturity and interest rate analyses of promissory notes issued are disclosed in Note 31.

20 Debt Securities Issued

In millions of Russian Roubles	*2012*	*2011*
Eurobonds issued	293 678	231 155
Bonds issued on domestic market	147 188	111 344
Total debt securities issued	**440 866**	**342 499**

20 Debt Securities Issued (Continued)

As at 31 December 2012, debt securities issued consist of US Dollars, Russian Roubles and Swiss Francs denominated Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. as well as Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	*Nominal value, in million of currency, in circulation*	*Issue date*	*Maturity date*	*Put option date*	*Coupon rate*	*Coupon payment*	*Yield to maturity/ next repricing date*
Eurobonds issued							
US Dollars	627	16 May 2006	16 May 2013	-	7.175%	6 months	1.37%
US Dollars	1 148	14 May 2007	15 May 2017	-	6.299%	6 months	3.52%
US Dollars							
- tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	1.77%
- tranche B	901	29 May 2008	29 May 2018	-	7.750%	6 months	3.77%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	2.05%
Russian Roubles	30 000	25 March 2010	25 March 2013	-	7.500%	6 months	5.94%
Russian Roubles	20 000	17 March 2011	17 March 2016	-	8.700%	6 months	8.07%
Russian Roubles	12 000	20 April 2011	17 March 2016	-	8.700%	6 months	8.07%
Russian Roubles	20 000	23 November 2011	23 November 2016	-	7.580%	6 months	8.26%
Russian Roubles	10 000	17 February 2012	17 February 2017	-	8.625%	6 months	8.05%
US Dollars	500	27 June 2012	27 December 2017	-	5.298%	6 months	3.61%
US Dollars	350	5 July 2012	27 December 2017	-	5.298%	6 months	3.61%
Russian Roubles	10 000	26 July 2012	17 February 2017	-	8.625%	6 months	8.05%
Swiss Francs	450	17 August 2012	17 August 2015	-	3.125%	1 year	2.34%
US Dollars	450	31 August 2012	27 December 2017	-	5.298%	6 months	3.61%
Bonds issued on domestic market							
Russian Roubles	10 000	22 February 2007	9 February 2017	17 February 2014	9.250%	6 months	8.20%
Russian Roubles	9 010	10 October 2007	27 September 2017	4 October 2013	7.500%	6 months	7.90%
Russian Roubles	585	22 February 2008	9 February 2018	19 August 2014	7.800%	6 months	8.01%
Russian Roubles	5 000	17 June 2008	5 June 2018	14 June 2013	6.850%	6 months	7.91%
Russian Roubles	10 000	9 December 2008	27 November 2018	5 December 2013	8.750%	6 months	8.02%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months	8.28%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months	8.32%
Russian Roubles	5 000	10 February 2010	29 January 2020	8 February 2013	9.000%	6 months	7.52%
Russian Roubles	5 000	11 February 2010	30 January 2020	11 February 2013	9.000%	6 months	7.18%
Russian Roubles	5 000	1 September 2010	28 August 2013	-	8.300%	6 months	8.15%
Russian Roubles	10 000	1 September 2010	28 August 2013	-	8.300%	6 months	7.99%
Russian Roubles	10 000	2 November 2010	29 October 2013	-	8.200%	6 months	8.02%
Russian Roubles	10 000	12 July 2011	29 June 2021	9 July 2015	7.700%	6 months	8.58%
Russian Roubles	5 000	14 July 2011	1 July 2021	13 July 2015	7.700%	6 months	8.65%
Russian Roubles	5 000	15 July 2011	2 July 2021	14 July 2015	7.700%	6 months	8.54%
Russian Roubles	10 000	8 November 2011	26 October 2021	7 November 2013	8.750%	6 months	8.08%
Russian Roubles	5 000	7 February 2012	3 February 2015	8 August 2013	8.200%	6 months	8.16%
Russian Roubles	5 000	9 February 2012	5 February 2015	10 August 2013	8.200%	6 months	8.17%
Russian Roubles	10 000	16 April 2012	4 April 2022	15 April 2015	8.550%	6 months	8.49%
Russian Roubles	10 000	23 October 2012	11 October 2022	23 October 2014	8.350%	6 months	8.42%
Russian Roubles	5 000	25 October 2012	13 October 2022	27 October 2014	8.350%	6 months	8.42%

20 Debt Securities Issued (Continued)

As at 31 December 2011, the Group's debt securities issued included Eurobonds denominated in US Dollars, Russian Roubles and Swiss Francs that are issued by the Group through its special purpose entity, RSHB Capital S.A. as well as bonds denominated in Russian Roubles and issued on domestic market.

Currency of denomination	*Nominal value, in million of currency, in circulation*	*Issue date*	*Maturity date*	*Put option date*	*Coupon rate*	*Coupon payment*	*Yield to maturity/ next repricing date*
Eurobonds issues							
US Dollars	630	16 May 2006	16 May 2013	-	7.175%	6 months	4.06%
US Dollars	1 148	14 May 2007	15 May 2017	-	6.299%	6 months	6.29%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	4.08%
US Dollars							
- tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	5.20%
- tranche B	901	29 May 2008	29 May 2018	-	7.750%	6 months	6.51%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	5.43%
Russian Roubles	30 000	25 March 2010	25 March 2013	-	7.500%	6 months	8.71%
Russian Roubles	20 000	17 March 2011	17 March 2016	-	8.700%	6 months	9.67%
Russian Roubles	12 000	20 April 2011	17 March 2016	-	8.700%	6 months	9.67%
Russian Roubles	20 000	23 November 2011	23 November 2016	-	6.970%	6 months	7.38%
Bonds issued in domestic market							
Russian Roubles	10 000	22 February 2007	9 February 2017	17 February 2014	9.250%	6 months	8.90%
Russian Roubles	9 010	10 October 2007	27 September 2017	4 October 2013	7.500%	6 months	7.69%
Russian Roubles	585	22 February 2008	9 February 2018	19 August 2014	7.800%	6 months	9.78%
Russian Roubles	5 000	17 June 2008	5 June 2018	14 June 2013	6.850%	6 months	8.56%
Russian Roubles	10 000	9 December 2008	27 November 2018	5 December 2013	8.750%	6 months	8.94%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	7.42%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	7.49%
Russian Roubles	5 000	10 February 2010	29 January 2020	8 February 2013	9.000%	6 months	9.68%
Russian Roubles	5 000	11 February 2010	30 January 2020	11 February 2013	9.000%	6 months	8.35%
Russian Roubles	5 000	1 September 2010	28 August 2013	31 August 2012	7.200%	6 months	7.40%
Russian Roubles	10 000	1 September 2010	28 August 2013	31 August 2012	7.200%	6 months	7.42%
Russian Roubles	10 000	2 November 2010	29 October 2013	3 May 2012	6.600%	6 months	7.65%
Russian Roubles	10 000	12 July 2011	29 June 2021	9 July 2015	7.700%	6 months	9.22%
Russian Roubles	5 000	14 July 2011	1 July 2021	13 July 2015	7.700%	6 months	8.94%
Russian Roubles	5 000	15 July 2011	2 July 2021	14 July 2015	7.700%	6 months	8.19%
Russian Roubles	10 000	8 November 2011	26 October 2021	7 November 2013	8.750%	6 months	8.92%

Refer to Note 35 for the disclosure of the fair value for debt securities issued. Geographical, maturity and interest rate analyses of debt securities issued are disclosed in Note 31.

21 Other Liabilities

In millions of Russian Roubles	*2012*	*2011*
Non-financial liabilities		
Accrued staff costs	2 343	1 465
Unearned premium reserve	988	27
Taxes payable other than on income	410	364
Insurance prepayment received	296	3
Insurance contribution	167	139
Other	580	467
Financial liabilities		
Settlements on banking cards	3 048	2 463
Trade payables	368	1 182
Other subsidiaries' payables	265	358
Financial liabilities associated with issuance of guarantees by subsidiaries	-	187
Carryng value of guarantees issued	50	114
Loss provision	309	-
Total other liabilities	**8 824**	**6 769**

Trade payables are related to the business activities of subsidiaries.

Movements in the provision for unearned premiums are as follows:

In millions of Russian Roubles	*2012*	*2011*
Provision for unearned premiums as at 1 January	**27**	**-**
Increase in provision	961	27
Provision for unearned premiums as at 31 December	**988**	**27**

Movements in the loss provision are as follows:

In millions of Russian Roubles	*2012*
Loss provision as at 1 January	**-**
Provision created during the period	442
Insurance claims settled	(133)
Loss provision as at 31 December	**309**

Refer to Note 35 for the disclosure of the fair value of other financial liabilities. Geographical analysis of other liabilities is disclosed in Note 31.

22 Subordinated Debts

As at 31 December 2012, the Group's subordinated debts totalled RR 55 274 million (2011: RR 57 192 million).

In June 2007, the Group attracted a subordinated debt totalling USD 200 million maturing in June 2017 and bearing an interest rate of Libor +1.875% p.a. In June 2012 the Group decided not to use its option to terminate this subordinated debt and interest rate was stepped up to Libor +3.375% p.a.

In October 2008, the Group attracted from Vnesheconombank a subordinated debt totalling RR 25 000 million with maturity in December 2019 and an interest rate of 8.0% p.a. This subordinated debt was attracted in accordance with the Federal Law # 173-FZ "On supplementary measures to support financial system of the Russian Federation". In July 2010, Federal Law # 173-FZ was amended to reduce the interest rate on subordinated debt attracted by the Group from Vnesheconombank from 8.0% p.a. to 6.5% p.a.

In June 2011, the Group attracted a subordinated debt totalling USD 800 million in Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in June 2021, have contractual interest rate of 6.0% p.a., and yield at 8.3% p.a. till the next repricing date, i.e. in June 2016. The Group has an option to terminate this subordinated debt at the nominal value in June 2016.

In September 2011, the Group executed its option to early terminate the subordinated debt attracted in September 2006 in the total amount of USD 500 million.

Refer to Note 35 for the disclosure of the fair value of subordinated debts. Geographical, maturity and interest rate analyses of subordinated debts are disclosed in Note 31. The information on related party balances is disclosed in Note 37.

23 Share Capital

Share capital issued and fully paid comprises:

In millions of Russian Roubles (except for number of shares)	*Number of outstanding shares*	*Nominal amount*	*Inflation adjusted amount*
At 1 January 2011	**108 048**	**108 048**	**108 798**
New shares issued	40 000	40 000	40 000
At 31 December 2011	**148 048**	**148 048**	**148 798**
New shares issued	40 000	40 000	40 000
At 31 December 2012	**188 048**	**188 048**	**188 798**

Issued and fully paid authorised share capital comprises 188 048 issued and registered ordinary shares. All ordinary shares have a nominal value of RR 1 million per share and rank equally. Each share carries one vote.

In 2012, the Bank increased its share capital by issuing 40 000 ordinary shares (2011: 40 000 ordinary shares) with the total nominal amount of RR 40 000 million (2011: RR 40 000 million). All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

24 Interest Income and Expense

In millions of Russian Roubles	*Note*	*2012*	*2011*
Interest income			
Loans and advances to customers		122 564	103 276
Investment securities available for sale and related repurchase receivables	13	4 133	4 441
Investment securities held to maturity and related repurchase receivables		3 361	1 006
Due from other banks		2 723	2 480
Financial instruments designated at fair value through profit or loss		1 111	1 139
Trading securities and related repurchase receivables		1 058	314
Cash equivalents		953	658
Total interest income		**135 903**	**113 314**
Interest expense			
Debt securities issued		(29 880)	(22 834)
Term deposits of legal entities		(26 022)	(17 096)
Term deposits of individuals		(8 840)	(7 711)
Term deposits of other banks		(7 726)	(7 040)
Subordinated debts		(3 521)	(3 381)
Promissory notes issued		(1 660)	(841)
Term deposits of the CBRF		(1 155)	(48)
Current/settlement accounts		(686)	(748)
Total interest expense		**(79 490)**	**(59 699)**
Net interest income		**56 413**	**53 615**

Interest income on loans and advances to customers includes interest income recognised on impaired loans in the total amount of RR 33 457 million (2011: RR 21 486 million).

25 Fee and Commission Income and Expense

In millions of Russian Roubles	*2012*	*2011*
Fee and commission income		
Commission on cash transactions	4 020	3 553
Agency fees for sale of insurance contracts	1 377	246
Commission on settlement transactions	733	537
Commission on banking cards	368	235
Commission on guarantees issued	274	25
Agency fees for currency control	107	100
Other	225	138
Total fee and commission income	**7 104**	**4 834**
Fee and commission expense		
Commission on cash collection	(485)	(426)
Commission on settlement transactions	(279)	(163)
Other	(41)	(42)
Total fee and commission expense	**(805)**	**(631)**
Net fee and commission income	**6 299**	**4 203**

26 Losses net of Gains from Non-banking Activities

In millions of Russian Roubles	*2012*	*2011*
Sales of goods	4 537	8 873
Cost of goods sold	(4 983)	(8 443)
Impairment charge of trade receivables and prepayments	(1 778)	(359)
Net income from insurance operations	43	-
Other non-banking income	964	446
Other non-banking expenses	(2 485)	(1 762)
Total losses net of gains from non-banking activities	**(3 702)**	**(1 245)**

Sales of goods mainly represent sales of grain, sugar, meat and milk products, animal feedstuff and other nonfoods.

Included in cost of goods sold is depreciation of non-banking premises and equipment in the total amount of RR 580 million (2011: RR 695 million).

Net income from insurance operations are as follows:

In millions of Russian Roubles	*2012*
Income from insurance operations	
Premium earned	576
Reinsurance recoveries	97
Total income from insurance operations	**673**
Expense from insurance operations	
Claims incurred	(278)
Acquisition costs	(138)
Insurance premium ceded to reinsurance	(214)
Total expense from insurance operations	**(630)**
Net income from insurance operations	**43**

27 Administrative and Other Operating Expenses

In millions of Russian Roubles	*Note*	*2012*	*2011*
Staff costs		22 420	18 734
Rental expenses		2 687	2 383
Depreciation of premises and equipment	15	1 352	1 314
Taxes other than on income		1 301	1 114
Security services		930	836
Communications and information services		756	669
Other costs of premises and equipment		681	682
Advertising and marketing services		609	508
Payments to the Deposit Insurance Fund		592	499
Amortization of intangible assets	15	512	448
Supplies and other materials		409	428
(Reversals of impairment)/impairment of premises		(167)	246
Depreciation of repossessed collateral	16	40	42
Other		1 663	1 262
Total administrative and other operating expenses		**33 785**	**29 165**

Included in staff costs are statutory social security and contributions to a state pension fund in the amount of RR 4 154 million (2011: RR 3 720 million).

28. Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	*2012*	*2011*
Current tax	195	3 823
Deferred tax	481	(3 531)
Income tax expense for the year	**676**	**292**

The income tax rate applicable to the majority of the Group's income is 20% (2011: 20%). A reconciliation between the theoretical and the actual taxation charge is provided below.

In millions of Russian Roubles	*2012*	*2011*
IFRS profit before tax	**820**	**350**
Theoretical tax charge at statutory rate (2012: 20%; 2011: 20%)	164	70
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible interest expenses	146	133
- Non deductible staff costs	61	38
- Non deductible charity costs	19	6
- Income on government securities taxed at different rates	(17)	(36)
- Other nontemporary differences	303	81
Income tax expense for the year	**676**	**292**

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2011: 20%), except for income on government securities that is taxed at 15% (2011: 15%).

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

28 Income Taxes (Continued)

In millions of Russian Roubles	*31 December 2011*	*(Charged)/ credited to profit or loss*	*Charged directly to other comprehensive income*	*Transfer to disposal groups classified as held for sale*	*31 December 2012*
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	3 871	1 855	-	(285)	5 441
Provision for impairment	528	(1 884)	-	(2)	(1 358)
Fair valuation of derivative financial instruments	342	(1 081)	-	-	(739)
Accrued staff costs	293	169	-	1	463
Accruals on due to other banks	289	23	-	-	312
Fair valuation of securities	159	(104)	(155)	-	(100)
Defferal of fees on guarantees issued	23	(13)	-	-	10
Promissory notes issued	7	46	-	(28)	25
Premises and equipment	(1 888)	148	(68)	21	(1 787)
Accruals on debt securities issued and subordinated debts	(215)	184	-	-	(31)
Intangible assets	(44)	(3)	-	-	(47)
Other	844	179	-	(177)	846
Net deferred income tax asset	**4 209**	**(481)**	**(223)**	**(470)**	**3 035**
Recognised deferred income tax asset	5 531	(431)	-	-	5 100
Recognised deferred income tax liability	(1 322)	(50)	(223)	(470)	(2 065)
Net deferred income tax asset	**4 209**	**(481)**	**(223)**	**(470)**	**3 035**

In millions of Russian Roubles	*31 December 2010*	*(Charged)/ credited to profit or loss*	*(Charged)/ credited directly to other comprehensive income*	*Transfer to disposal groups classified as held for sale*	*31 December 2011*
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	1 968	1 905	-	(2)	3 871
Provision for impairment	403	125	-	-	528
Fair valuation of derivative financial instruments	(325)	667	-	-	342
Accrued staff costs	178	113	-	2	293
Accruals on due to other banks	74	215	-	-	289
Fair valuation of securities	(110)	70	199		159
Defferal of fees on guarantees issued	-	23	-	-	23
Promissory notes issued	(3)	10	-	-	7
Premises and equipment	(1 895)	22	(42)	27	(1 888)
Accruals on debt securities issued and subordinated debts	(218)	3	-	-	(215)
Intangible assets	(57)	13	-	-	(44)
Other	510	365	-	(31)	844
Net deferred income tax asset	**525**	**3 531**	**157**	**(4)**	**4 209**
Recognised deferred income tax asset	1 930	3 601	-	-	5 531
Recognised deferred income tax liability	(1 405)	(70)	157	(4)	(1 322)
Net deferred income tax asset	**525**	**3 531**	**157**	**(4)**	**4 209**

29 Dividends

In millions of Russian Roubles	*2012 Ordinary shares*	*2011 Ordinary shares*
Dividends payable at 1 January	-	-
Dividends declared during the year	318	253
Dividends paid during the year	(318)	(253)
Dividends payable at 31 December	-	-
Dividends per share declared during the year	**0.0021**	**0.0023**

30. Segment Analysis

(a) Description of geographic areas from which each reportable segment derives its revenue and factors that management used to identify the reportable segments

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

Based on IFRS 8 requirements the Group also discloses those operational segments where revenue, profit or total assets are higher than 10% of related Group's indicators.

As at 31 December 2012 and at 31 December 2011 the Group defines the following reportable segments:

- Head office,
- Central federal district,
- Far Eastern federal district,
- Volga federal district,
- North-West federal district,
- North-Caucasian federal district,
- Siberian federal district,
- Ural federal district,
- Krasnodar branch,
- Southern federal district (without Krasnodar branch).

For analysis of revenue by products refer to Notes 24, 25.

(b) Measurement of operating segment profit or loss and assets

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments. Intrersegment income/(expense) represents mainly income from/(costs of) funding provided by Head Office to other reportable segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in these consolidated financial statements.

(c) Information about reportable segment profit or loss and assets

Segment reporting of the Group's revenue and profit/(loss) for the reporting period ended 31 December 2012 and 31 December 2011 and segment reporting of the Group's assets at 31 December 2012 and 31 December 2011 is as follows:

30 Segment Analysis (Continued)

In millions of Russian Roubles	*Head office*	*Central federal district*	*Far Eastern federal district*	*Volga federal district*
For the year ended 31 December 2012				
Revenue from external customers:	**17 405**	**34 293**	**5 107**	**28 483**
• Interest income from loans and advances to customers, due from other banks and other placed funds	16 124	31 435	4 456	26 125
• Net fee and commission income from credit related operations	1 281	2 858	651	2 358
(Losses net of gains)/gains less losses arising from securities, derivative financial instruments and currency	(5 931)	82	27	34
Interest expenses from due to other banks, customer accounts and debt securities issued	(56 919)	(8 649)	(929)	(3 757)
Provision recovery/(charge) for impairment	690	(4 280)	(615)	(3 029)
Administrative and Maintenance expense	(11 975)	(4 537)	(1 813)	(4 319)
• Including depreciation charge for the reporting period	(178)	(233)	(56)	(206)
Other income less other expenses	(389)	1 452	35	139
Current income tax expense	(188)	-	-	-
Intersegment income and expense*	**62 771**	**(13 681)**	**(2 516)**	**(14 592)**
Profit/(loss) of reportable segments	**(57 307)**	**18 361**	**1 812**	**17 551**
For the year ended 31 December 2011				
Revenue from external customers:	**13 798**	**28 201**	**4 129**	**23 687**
• Interest income from loans and advances to customers, due from other banks and other placed funds	13 131	25 793	3 626	21 894
• Net fee and commission income from credit related operations	667	2 408	503	1 793
(Losses net of gains)/gains less losses arising from securities, derivative financial instruments and currency	(2 408)	81	23	15
Interest expenses from due to other banks, customer accounts and debt securities issued	(44 335)	(4 930)	(720)	(2 495)
Provision (charge)/recovery for impairment	(920)	(10 060)	(578)	510
Administrative and Maintenance expense	(5 983)	(5 146)	(1 794)	(4 681)
• Including depreciation charge for the reporting period	(160)	(252)	(63)	(230)
Other income less other expenses	(613)	151	29	197
Current income tax expense	(3 817)	-	-	-
Intersegment income and expense*	**54 524**	**(12 960)**	**(1 865)**	**(12 078)**
Profit/(loss) of reportable segments	**(44 278)**	**8 297**	**1 089**	**17 233**
Total assets				
31 December 2012	1 418 521	419 974	59 391	278 982
31 December 2011	1 577 279	443 342	58 505	303 908
Provision for loan impairment (RAR)				
31 December 2012	(443)	(28 967)	(2 633)	(10 201)
31 December 2011	(1 151)	(18 111)	(2 429)	(9 318)

* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

North-west federal district	*North-Caucasian federal district*	*Siberian federal district*	*Ural federal district*	*Krasnodar branch*	*Southern federal district (without Krasnodar branch)*	*Total*
8 649	**11 911**	**15 785**	**3 489**	**5 762**	**7 788**	**138 672**
7 843	10 868	14 370	3 139	5 323	7 103	126 786
806	1 043	1 415	350	439	685	11 886
30	9	28	25	23	12	(5 661)
(1 600)	(593)	(1 928)	(647)	(813)	(858)	(76 693)
(1 472)	(2 105)	(11 165)	(62)	(3 210)	(545)	(25 793)
(1 597)	(1 955)	(3 467)	(748)	(606)	(1 223)	(32 240)
(80)	(100)	(139)	(27)	(50)	(38)	(1 107)
109	151	162	10	713	45	2 427
-	-	-	-	-	-	(188)
(4 485)	**(7 276)**	**(8 164)**	**(1 640)**	**(6 228)**	**(4 189)**	**-**
4 119	**7 418**	**(585)**	**2 067**	**1 869**	**5 219**	**524**
7 066	**10 366**	**12 767**	**2 563**	**8 461**	**5 214**	**116 252**
6 465	9 126	11 583	2 347	7 862	4 715	106 542
601	1 240	1 184	216	599	499	9 710
16	(2)	25	3	20	10	(2 217)
(1 183)	(428)	(1 475)	(335)	(748)	(604)	(57 253)
(1 118)	(916)	63	(223)	(11 587)	(572)	(25 401)
(1 972)	(1 911)	(3 645)	(817)	(897)	(1 229)	(28 075)
(77)	(114)	(155)	(34)	(46)	(43)	(1 174)
168	194	115	27	1 465	50	1 783
-	-	-	-	-	-	(3 817)
(3 737)	**(5 736)**	**(6 475)**	**(1 389)**	**(7 556)**	**(2 728)**	**-**
2 977	**7 303**	**7 850**	**1 218**	**(3 286)**	**2 869**	**1 272**
108 575	123 741	165 569	44 612	102 840	76 109	**2 798 314**
107 959	129 403	168 682	35 754	163 520	69 749	**3 058 101**
(6 525)	(5 449)	(17 571)	(2 006)	(29 988)	(2 987)	**(106 770)**
(5 566)	(3 733)	(7 789)	(1 888)	(19 960)	(3 190)	**(73 135)**

30 Segment Analysis (Continued)

The amount of additions/(disposals) in premises and equipment and land for the reporting period ended 31 December 2012 and 31 December 2011 is as follows:

In millions of Russian Roubles	*2012*	*2011*
Additions/(disposals)*		
Head office	692	(11)
Central federal district	19	707
Far Eastern federal district	6	29
Volga federal district	48	143
North-West federal district	49	(21)
North-Caucasian federal district	(186)	(23)
Siberian federal district	38	132
Ural federal district	8	37
Krasnodar branch	221	35
Southern federal district (without Krasnodar branch)	25	22
Total additions	**920**	**1 050**

* Based on RAR

(d) Reconciliation of reportable segment revenues, profit or loss, assets and provision for loan impairment

Reconciliation of profit and assets of the reporting segments for the reporting period ended 31 December 2012 and 31 December 2011 is as follows:

In millions of Russian Roubles	*2012*	*2011*
Total profit of reportable segments (after tax)	**524**	**1 273**
Adjustments of deferred tax	(151)	3 720
Adjustments of provisions for impairment	(3 590)	1 184
Accounting for derivative financial instruments at fair value	5 406	(3 348)
Accounting for financial assets and liabilities carried at amortised cost	(3 524)	(1 704)
Gains less losses/(losses net of gains) from revaluation of other financial assets at fair value through profit and loss	1 854	(749)
Revaluation of premises	167	(246)
Accrued staff costs	(381)	(165)
Results of non-reportable segments, including the effect of consolidation*	576	185
Other	(737)	(92)
The Group's profit under IFRS (after tax)	**144**	**58**
Assets of reportable segments	**2 798 314**	**3 058 101**
Elimination of settlements between branches	(1 068 876)	(1 561 892)
Elimination of back-to-back deposits	(176 325)	(124 963)
Provision for loan impairment	(97 262)	(75 926)
Assets of non-reportable segments, including the effect of consolidation*	4 210	4 227
Other	(31 411)	(15 121)
The Group's assets under IFRS	**1 428 650**	**1 284 426**
Provision for loan impairment for loans and advances to customers of reportable segments	**(106 770)**	**(73 135)**
Accounting for provision under IFRS	17 207	(4 694)
Provision related to non-reportable segments, including the effect of consolidation*	(7 802)	1 918
The Group's provision for loan impairment for loans and advances to customers under IFRS	**(97 365)**	**(75 911)**

* Non-reportable segments are represented by subsidiaries of the Group.

30 Segment Analysis (Continued)

Reconciliation of material items of income and expenses for the years ended 31 December 2012 and 31 December 2011 is as follows:

In millions of Russian Roubles	*2012*	*2011*
Total revenue of reportable segments from external customers	**138 672**	**116 252**
Reclassification of income not included in segment revenue	4 158	1 979
Interest income related to effective interest rate implication	1 173	502
Results of non-reportable segments, including the effect of consolidation*	(1 795)	341
Effect of disposal of loans	(8)	(1 557)
Other	2	-
The Group's revenue under IFRS**	**142 202**	**117 517**
Total interest expenses from due to other banks, customer accounts and debt securities issued of reportable segments	**(76 693)**	**(57 253)**
Reclassification of interest expense not included in segment interest expenses	(2 187)	(2 088)
Effective interest rate adjustments	(658)	(448)
Results of non-reportable segments, including the effect of consolidation*	49	103
Other	(1)	(13)
The Group's interest expense under IFRS	**(79 490)**	**(59 699)**
Provision charge for impairment	**(25 793)**	**(25 401)**
Accounting for provision under IFRS	4 207	13
Provision related to non-reportable segments, including the effect of consolidation*	(5 209)	2 758
The Group's provision charge for impairment under IFRS	**(26 795)**	**(22 630)**
Administrative and Maintenance expenses of reportable segments	(32 240)	(28 075)
Reclassification of results from loan restructuring	18	1 171
Expense of non-reportable segments, including the effect of consolidation*	(132)	36
Reclassification of payments to the Deposit Insurance Fund not included in segment administrative and maintenance expenses	(592)	(499)
Accrued staff costs	(381)	(165)
Other	(458)	(1 633)
The Group's administrative and other operating expenses under IFRS	**(33 785)**	**(29 165)**

* Non-reportable segments are represented by subsidiaries of the Group.

** Group's revenue under IFRS comprises of interest income and net fee and commission income.

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

- Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the RAR used for preparation of management reporting and the methodology used for IFRS reporting. The provision under RAR is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.
- Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR gross settled swap transactions are recognised as back-to-back deposits, whereas in IFRS financial statements such transactions are recognised at fair value. Refer to Note 34. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.

- Adjustments to fair value of securities resulted from application of different valuation techniques and input data.
- Adjustments to financial assets and liabilities carried at amortised cost (including adjustment to disposal of loans) resulted from accruals of interest income/expenses using effective interest rate method, whereas there is nominal rate accrual approach under RAR.
- There is no concept of deferred tax accounting in RAR for credit organizations.
- Interest income and interest expense under IFRS are accounted using the effective interest rate method, whereas there is nominal rate accrual approach under RAR.
- Balances of intercompany settlements related to regional branches of the Bank are presented in assets and liabilities, while in IFRS such balances are shown on a net basis.
- Revaluation of premises resulted under RAR are based on current replacement cost basis, whereas under IFRS on fair value basis.
- Adjustments of income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses (mainly related to unused vacations provision) under RAR compared to IFRS and regulatory requirements of tax-filing date.
- Income, which is not included into segmental revenue, mainly relates to interest income, which is reclassified into “Other income less other expenses” line of management accounts according to its economic substance.

All other differences also resulted from the differences between RAR (used as the basis for management reporting) and IFRS.

(e) Major Customers

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

31 Financial Risk Management

The purpose of the Group’s risk management policy is to maintain acceptable levels of risks determined by the Group with consideration of its approved strategic goals. The Group’s priority task is to ensure the maximum safety of assets and capital through minimising exposures that can lead to unforeseen losses. Group provides coordinated management of credit and market risk, liquidity risk and operational risk across all levels of activity.

The Group has a multi-level system of decision-making, monitoring and risk management.

The Bank’s Supervisory Board approves the risk management policy and, consequently, is responsible for creating and monitoring the operation of the Bank’s risk management system in general. Its competence also covers decisions relating to significant risks.

The Bank’s Management Board monitors the functioning of the risk management system, approves documents and procedures for identification, evaluation, determination of acceptable risk level, selection of response actions (acceptance, limitation, reallocation, hedging, avoidance) and monitoring thereof.

Operational risk management is carried out by the Bank’s Management Board, its Chairman, special collegiate bodies of the Group, and also by separate structural divisions of the Group and executives on the basis of their competence.

The Risks Department (hereinafter, the RD) provides independent analysis and evaluation of risks. The competence of the Risk Department also includes methodological support of risk management system, the implementation of the principles and methods of identification, assessment and monitoring of financial risks (credit, market, liquidity risk) and operational risk, including at the regional level.

The Bank’s authorized bodies on a regular basis consider the Bank’s performance, approve and revise risk management procedures to facilitate the early detection of changes in the external and internal factors, and to minimize the adverse consequences for the Bank.

In order to ensure stable operation of the Bank in 2012, the Bank took the following priority steps.

For its lending activities the Bank developed Methodology of internal rating of different types of borrowers. The Bank has built a multi-level system of limits and restrictions on the adoption of various types of risks.

The Bank applied a number of activities to improve the efficiency and completeness of the control limits for the Bank's financial markets operations as fact of the framework for market risk management system. In particular, the work on automation were continued in respect of the control limits in the real time of the Bank's operations on the foreign exchange, money and stock markets and related operational management reporting.

A vertically-arranged unit for risk assessment and control in the Banks' regional branches was established in order to carry out independent control of the level of risks taken by the branches and additional offices. The role of risk managers in taking lending decisions was enhanced.

The Bank took a set of measures aimed at intensification of actions with regard to non-performing loans and certain steps were taken to establish an infrastructure providing for various actions resolving issues in the area of non-performing loans.

The Bank approved and applied additional control measures for liquidity control, which include estimated liquidity indicators. These indicators allowed to timely identify imbalances between the volume of claims and liabilities of the Bank in different time intervals and to promptly identify the necessity of management actions.

To evaluate comprehensive impact on Bank's activities the Bank updated in 2012 its stress-testing scenario based on the current market and economic conditions.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 33.

The risk management policy aims to maintain the proper quality of the loan portfolio by optimizing the industry, regional and product structure of the loan portfolio of the Group, the implementation of a systematic approach to the management of credit risk, based on the principles of risk awareness, power-sharing assessment and risk-taking, monitoring and control.

The credit risk approval competencies in 2012 and 2011 are determined as follows:

- The Supervisory Board approves decisions on loans or determines credit limits per one borrower or a group of related borrowers with the aggregate credit risk limit in excess of RR 4 000 million (2011: RR 4 000 million).
- The Bank's Management Board approves decisions on loans or determines credit limits per one borrower or a group of related borrowers with the aggregate credit risk limit per one borrower or a group of related borrowers totalling up to RR 4 000 million (2011: up to RR 4 000 million) .
- The Credit Committee resolves on providing loans or establishing individual credit risk limits per one borrower or a group of related borrowers within the aggregate credit risk limit in the amount of RR 2 000 million (2011: RR 2 000 million).
- The Small Credit Committee resolves on providing loans or establishing individual credit risk limits per one borrower or a group of related borrowers within the aggregate credit risk limit in the amount of RR 500 million (2011: no Small Credit Committee was established).
- Credit committees of regional branches, Credit commissions of additional offices, certain executives of the Bank make credit decisions within the preset limits.
- The Asset and Liabilities Management Committee (2011: the Resource Committee) adopts decisions on limiting credit risks through setting structural and portfolio limits and also limits for counteragents and securities issuers. The Committee also resolves on establishing the independent authority of credit decisions of the Bank's regional branches.

The Bank's authorised management bodies approve internal regulations that contain formalised descriptions of risk evaluation procedures and processes for provision and servicing of credit products.

The Bank selects credit projects with consideration of the purpose of lending, primary sources of repayment of the loan. On the mandatory basis Bank assesses risk factors associated with borrower's financial position and its trends, borrower's property structure and reputation, credit history, state of the economic sector and region, all relationships between the Bank and related persons.

The Bank's authorised bodies set and promptly review credit limits for regional branches and additional offices that are monitored on an ongoing basis.

The Bank monitors portfolio concentration risk through setting credit limits by region, type of loan and certain borrowers. Currently, the maximum level of portfolio concentration per one of the Bank's regional branch is 15% of the Bank's aggregate loan portfolio.

In selecting lending and investment programmes, priority rests with the agricultural sector and related industries, which support and service agricultural producers. The loan portfolio industry concentration risk is mitigated by:

- lending to the entire cycle of agricultural product turnover (production, storage, processing and sales to ultimate consumers);
- lending to borrowers with different specialisation in different regions;
- a combination of several types of production in one entity typical for agricultural producers;
- diversification of investments in effective and reliable projects of other economic sectors; and
- limiting one borrower's risk exposure.

The Bank uses different methods of securing execution by borrowers of their contractual obligations in the form of pledge of property or ownerhip rights (with approval of a list of pledged items subject to obligatory insurance by insurers accredited by the Bank), guarantees and warranties from third parties.

Credit risk is monitored at different levels on the basis of the Bank's regulatory documents: at the level of regional branch, additional office and the Head Office of the Bank.

Market risk. The Group takes on exposure to market risk arising from open positions in (a) currency, (b) interest and (c) equity products.

Market risks are managed by means of identifying, evaluating, forecasting market prices, currency rates and market interest rates, determining the acceptable level of risk on open positions, setting limits (creating a system of limits enabling to minimise losses in case of unfavourable market changes) and developing risk insurance mechanisms.

The Bank's authorized bodies perform qualitative evaluation of market risk by means of expert analysis method.

The responsibility of managing the Bank's market risk rests with the Management Board and the Asset and Liabilities Management Committee within their competence.

The responsibility for operational managing of market risk, implementing market risk management policies and complying with set limits rests with the heads of structural units that carry out transactions exposed to market risk.

The Bank's exposure to market risks is analysed by the Treasury, the Capital Markets Department and the RD within their competence.

The Bank has contingency plans in case of unfavourable market fluctuations in the value of trading financial instruments, derivative financial instruments, exchange rates and potential losses associated with changes in interest rates. These actions constitute an integral part of the Bank's risk management system and serve a preventive measure for ensuring the continuity of the Bank's operations and safety of the Bank's capital.

The market risks management competencies are determined as follows:

- The Bank's Supervisory Board makes decisions on setting limits on positions of equity instruments;
- The Chairman of the Management Board makes decisions on the entering into / suspension of any transactions, including hedging risks;
- The Asset and Liabilities Management Committee sets limits on market risk, including interest rate and currency risks.

Decision-making authority in the event of sudden market changes or violations of the limits imposed on the Chairman of the Management Board.

Any additional expenses that need to be incurred for covering financial losses are approved by the Bank's Management Board.

The responsibility for reviewing and preparation of reports for the Bank's management, for providing information for assigning credit ratings by international rating agencies and for regulators rests with the RD.

The RD's functional duties cover determining the acceptable market risk level, independent of the business unit evaluation, review and control of the actual level of the Bank's market risk exposure, agreeing and monitoring limits, monitoring transactions with financial instruments, evaluating the efficiency of these transactions and comparing with the market risk level.

The Bank's business units (the Capital Markets Department, the Treasury) and the Operations Department are also in charge of current monitoring of positions exposed to market risks in the process of entering into, and accounting for transactions.

The RD jointly with business units, creates the regulatory basis for risks evaluation and interaction of the Bank's units in the process of identification and management of market risks, and also summarizes and optimises the system of monitoring market risk.

Market risk is also mitigated by setting limits with consideration of the portfolio's (instrument's) risk and the Bank's business strategy. When setting limits, the Bank considers several factors, such as market environment, financial position, business trends and management experience.

Limits are regularly reviewed by the Bank's authorised bodies, and the RD monitors limits and reports information on compliance with the set limits to the Bank's management. The RD also considers and agrees all limits proposed by business units for carrying out new transactions.

The Bank has a hierarchy of limits: structural limits, positional limits, stop-loss limits, limits on transactions' parameters, etc. The RD is improving the system of limits on an ongoing basis.

The Bank sets limits on:

- the maximum volume of investments in certain types of assets or liabilities;
- the maximum level of losses and gains in case of changes in financial instruments' prices (stop-loss);
- personal limit (limitation of authorities) on the Bank's staff to adopt independent decisions concerning certain types of transactions;
- the maximum allowed relation between certain ratios on assets and liabilities, including off-balance sheet claims and liabilities (open position limit, limits on other comparative figures); and
- various characteristics of financial instruments (discounts, etc.).

The Bank monitors currency position for each currency and the amount of all foreign currency positions to comply with CBRF requirements.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease in the event if unexpected movements arise.

The sources of interest rate risk are:

- Mismatching of the level of interest rate changes for floating rate instruments with the same regularity of repricing (basis risk).
- Mismatching of the maturities of assets, liabilities and off-balance sheet claims and liabilities associated with fixed or floating rate instruments (repricing risk).
- Changes in the yield curve on long and short positions relating to financial instruments, which create the risk of loss as a result of excess of potential expenses over income at the close of these positions (risk of yield curve changes).

The main method of interest rate risk measurement is evaluating the gaps between the Group's assets and liabilities that are sensitive to changes in the interest rate level (GAP method).

The tables below are based on management reports on the Bank's interest rate risk at the stated dates, that were prepared in accordance with the Interest Rate Evaluation Methodology approved by the Bank. Interest rate reports are issued on a monthly basis using the information extracted from the accounting system, which is based on RAR with the assumption of stability of the structure of the Bank's assets and liabilities.

The table below summarises the Group's exposure to interest rate risk at 31 December 2012 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 90 days*	*Due between 91 and 180 days*	*Due between 181 days and 1 year*	*Due between 1 and 3 years*	*More than 3 years*	*Total*
Total interest bearing financial assets*	129 797	141 758	203 397	218 057	380 891	339 256	**1 413 156**
Total interest bearing financial liabilities*	172 525	145 685	219 660	227 233	260 090	254 799	**1 279 992**
Sensitivity gap	**(42 728)**	**(3 927)**	**(16 263)**	**(9 176)**	**120 801**	**84 457**	**133 164**
Cumulative sensitivity gap	**(42 728)**	**(46 655)**	**(62 918)**	**(72 094)**	**48 707**	**133 164**	

* Total interest-bearing financial assets and total interest-bearing financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

Securities included in the table above are presented by maturity (repricing) dates, except for the most highly liquid securities categorised as "Demand and less than 30 days".

For the year ended 31 December 2012, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit before tax for the year would have been RR 631 million higher (2011: RR 12 million lower); other components of equity (pre-tax) would have been RR 1 012 million higher (2011: RR 1 943 million higher), as a result of an increase in the fair value of fixed interest rate debt investments classified as available for sale.

For the year ended 31 December 2012, if interest rates at that date had been 100 basis points higher with all other variables held constant, profit before tax for the year would have been RR 631 million lower (2011: RR 12 million higher); other components of equity (pre-tax) would have been RR 1 012 million lower (2011: RR 1 943 million lower), as a result of a decrease in the fair value of fixed interest rate debt investments classified as available for sale.

The table below summarises the Group's exposure to interest rate risk at 31 December 2011 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 90 days*	*Due between 91 and 180 days*	*Due between 181 days and 1 year*	*Due between 1 and 3 years*	*More than 3 years*	*Total*
Total interest bearing financial assets*	212 593	136 996	116 685	168 666	339 439	314 256	**1 288 635**
Total interest bearing financial liabilities*	109 718	198 283	175 403	171 616	301 365	199 962	**1 156 347**
Sensitivity gap	**102 875**	**(61 287)**	**(58 718)**	**(2 950)**	**38 074**	**114 294**	**132 288**
Cumulative sensitivity gap	**102 875**	**41 588**	**(17 130)**	**(20 080)**	**17 994**	**132 288**	

* Total interest-bearing financial assets and total interest-bearing financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by the Group's management. The analysis has been prepared based on year-end interest rates.

In % p.a.	*2012*				*2011*			
	RR	*US Dollars*	*Euros*	*Other*	*RR*	*US Dollars*	*Euros*	*Other*
Assets								
Cash equivalents*	7	1	-	-	6	-	-	-
Mandatory cash balances with the CBRF	0	-	-	-	0	-	-	-
Debt trading securities and related repurchase receivables	8	-	-	-	-	-	-	-
Financial instruments designated at fair value through profit or loss	12	9	-	-	12	9	-	-
Due from other banks*	7	7	-	-	-	7	-	-
Loans and advances to customers	13	8	9	7	13	8	9	7
Debt investment securities available for sale and related repurchase receivables	9	8	-	-	8	8	-	-
Debt investment securities held to maturity and related repurchase receivables	8	5	-	-	8	6	-	-
Liabilities								
Due to other banks*	3	7	2	8	7	8	3	5
Customer accounts*	8	7	4	5	8	3	3	-
Promissory notes issued	9	0	-	-	7	1	5	-
Debt securities issued	9	7	-	3	8	8	-	6
Subordinated debts	7	6	-	-	7	5	-	-

* disclosed rates on term deposits

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in corresponding currency.

Currency and Equity Risk Management

Currency and equity risks are assessed on the basis of the VAR method (Value At Risk). This method represents a statistical evaluation of the ratio characterising the maximum amount of possible losses on a portfolio consisting of different financial instruments (or one instrument) with a specified probability and for a certain period of time. Reports on the level of market risk are issued on the basis of the approved Methodology for Market Risk Evaluation and provided by the RD to the Bank's management and heads of interested units in compliance with the internal regulatory documents.

The Bank calculates VAR on the basis of a 95% or 99% (depending on the purpose of calculations) confidence level and makes evaluations on the basis of retrospective information on closing prices (as the most dynamic and precise in terms of risk evaluation) for 250 days, evaluation period is one day. Therefore, VAR shows the maximum loss that can be received from the open position during one trading day with a 95% (99%) probability; however, in 5% (1%) of cases losses may exceed this level.

VAR calculation is based on the data extracted from RAR accounting system and is shown in management reports in two forms: relative (in percentage terms) and absolute (in Roubles). Relative VAR shows the maximum possible loss as per RR 1 of investments, and absolute VAR – losses on the current open position during the period of evaluation.

Together with VAR, the Bank calculates ES indicator (Expected Shortfall), which represents monetary value of expected losses in case of excess VAR.

VAR is calculated by historical method and, subsequently, the most adequate evaluation of calculations' parameters is chosen on the basis of analysing the changes in a financial instrument (group of instruments).

The methods used by the Bank are back-tested on a quarterly basis.

31 Financial Risk Management (Continued)

Although VAR is a most common tool for measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historic data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- A one day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situation in which there is a severe market illiquidity for a prolonged period;
- The use of 95% (99%) confidence level does not take into account losses that may occur beyond this level. There is a 5%(1%) probability that the loss could exceed the VAR; and
- VAR is calculated only on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day.

Currency risk

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in exchange rates, evaluated on the basis of VAR and Expected ShortFall methods with 99% confidence level.

In millions of Russian Roubles		*2012*	*2011*
At period end	Short position	(249)	(35)
	VAR	3	2
	Expected ShortFall	4	3

Equity risk taken by the Group is assessed as insignificant due to limited volumes of transactions.

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in stock quotations, evaluated on the basis of VAR and Expected ShortFall methods with 99% confidence level.

In millions of Russian Roubles		*2012*	*2011*
At period end	Short position	8	9
	VAR	-	-
	Expected ShortFall	-	-

31 Financial Risk Management (Continued)

Geographical risk concentration

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

In millions of Russian Roubles	*Russia*	*OECD**	*Other countries*	*Total*
Assets				
Cash and cash equivalents	98 327	7 705	310	106 342
Mandatory cash balances with the CBRF	9 153	-	-	9 153
Trading securites	19 220	-	-	19 220
Repurchase receivables	20 632	-	-	20 632
Financial instruments designated at fair value through profit or loss	-	12 550	-	12 550
Derivative financial instruments	119	18 540	-	18 659
Due from other banks	11 708	24 492	9 730	45 930
Loans and advances to customers	1 070 712	-	-	1 070 712
Investment securities available for sale	44 036	-	-	44 036
Investment securities held to maturity	27 999	-	-	27 999
Deferred income tax asset	5 100	-	-	5 100
Intangible assets	1 723	-	-	1 723
Premises and equipment	23 068	-	-	23 068
Current income tax prepayment	2 464	-	-	2 464
Other assets	15 719	5	-	15 724
Assets of the disposal groups held for sale	5 336	2	-	5 338
Total assets	**1 355 316**	**63 294**	**10 040**	**1 428 650**
Liabilities				
Derivative financial instruments	201	5 060	-	5 261
Due to other banks	61 998	73 925	420	136 343
Customer accounts	553 111	4 173	192	557 476
Promissory notes issued	23 234	-	-	23 234
Debt securities issued	147 188	293 678	-	440 866
Deferred income tax liability	2 065	-	-	2 065
Other liabilities	8 824	-	-	8 824
Subordinated debts	25 009	30 265	-	55 274
Liabilities directly associated with disposal groups held for sale	1 409	1	-	1 410
Total liabilities	**823 039**	**407 102**	**612**	**1 230 753**
Net position in on-balance sheet positon	**532 277**	**(343 808)**	**9 428**	**197 897**
Credit related commitments	**60 948**	**-**	**-**	**60 948**

* OECD – Organisation for Economic Cooperation and Development.

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

31 Financial Risk Management (Continued)

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

In millions of Russian Roubles	*Russia*	*OECD**	*Other countries*	*Total*
Assets				
Cash and cash equivalents	130 071	3 883	5	133 959
Mandatory cash balances with the CBRF	8 417	-	-	8 417
Repurchase receivables	2 369	-	-	2 369
Financial instruments designated at fair value through profit or loss	-	11 225	-	11 225
Derivative financial instruments	-	23 296	-	23 296
Due from other banks	8 019	25 962	5 588	39 569
Loans and advances to customers	903 697	-	-	903 697
Investment securities available for sale	76 595	-	-	76 595
Investment securities held to maturity	31 319	-	-	31 319
Deferred income tax asset	5 531	-	-	5 531
Intangible assets	1 531	-	-	1 531
Premises and equipment	25 093	-	-	25 093
Current income tax prepayment	820	-	-	820
Other assets	15 903	1	-	15 904
Assets of the disposal groups held for sale	5 099	2	-	5 101
Total assets	**1 214 464**	**64 369**	**5 593**	**1 284 426**
Liabilities				
Derivative financial instruments	386	353	-	739
Due to other banks	13 424	75 772	1 221	90 417
Customer accounts	600 925	6 168	202	607 295
Promissory notes issued	20 129	-	-	20 129
Debt securities issued	111 344	231 155	-	342 499
Deferred income tax liability	1 322	-	-	1 322
Current income tax liability	7	-	-	7
Other liabilities	6 762	7	-	6 769
Subordinated debts	25 004	32 188	-	57 192
Liabilities directly associated with disposal groups held for sale	1 281	1	-	1 282
Total liabilities	**780 584**	**345 644**	**1 423**	**1 127 651**
Net position in on-balance sheet positon	**433 880**	**(281 275)**	**4 170**	**156 775**
Credit related commitments	**46 998**	**-**	**-**	**46 998**

* OECD – Organisation for Economic Cooperation and Development.

Liquidity risk. Liquidity risk is defined as the risk of the Group's inability to meet its obligations on a timely and full basis. The Group is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing interbank loans (deposits), term deposits and issued securities, 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.

The Group manages liquidity risk on the basis of the following principles:

- segregation of duties between the Groups's management bodies, its collegial working bodies, structural units and executives;

31 Financial Risk Management (Continued)

- setting limits ensuring an optimal liquidity level and corresponding to the Group's financial position;
- priority of maintaining liquidity over profit maximisation;
- excluding conflicts of interest in organising the liquidity management system; and
- optimal matching of the volumes and maturities of funding sources with the volumes and maturities of placed assets.

The responsibility for liquidity management rests with the Bank's Management Board, Assets and Liabilities Management Committee and the Treasury. The responsibility for maintaining an optimal level of current (short-term) liquidity rests with the Treasury of the Bank's Head Office within the set limits of attraction/placement of funds in the money market. In case of necessity to attract/place funds in the volumes exceeding the set limits, such decisions are made by the Bank's Management Board (Assets and Liabilities Management Committee). Medium-term and long-term liquidity management is carried out with consideration of information and proposals provided by the RD at each end of reporting period.

The Group manages liquidity risk using the following basic methods:

- evaluating the daily payment position on the basis of cash flow analysis;
- reviewing the actual values and changes in mandatory liquidity ratios;
- evaluating structure and quality of assets and liabilities;
- setting limits on asset-side transactions by types of investments;
- analysing maturity gaps of the Group on the basis of the most likely claim/repayment dates by main currencies; and
- analysing the Group's exposure to liquidity risk with consideration of stress factors's impact on various scenarios covering standard and more unfavourable market conditions.

Information on financial assets and liabilities (their structure and gaps within certain time intervals) is used in management decisions on the Group's liquidity maintenance at an adequate level. Treasury is responsible to maintain short-term assets portfolio of liquid trading securities, deposits with banks and other interbank instruments.

The Group maintains a stable financing base consisting mainly of funds that were attracted through placing of bonds in Russian roubles and other currencies, increasing the volume of deposits (including interbank deposits), issuing promissory notes and also current resources of the Group as a result of an increase in customer current accounts.

The Group develops and promptly reviews a contingency plan for maintaining the necessary liquidity level with consideration of any changes in the Group's financial position and volume and nature of its transactions. In case of a liquidity crisis and additional expenses to be incurred in this respect, as well as for coverage of incurred or potential financial losses all decision-making responsibilities are transferred to the Management Board and Assets and Liabilities Management Committee.

Compliance with liquidity requirements set by the CBRF is forecasted on a daily basis for the Bank in general with consideration of the branch network.

For the purpose of additional management of the Group's term liquidity in general, the Group uses estimated liquidity ratios, the level of which is supervised by the RD as part of ongoing monitoring.

The table below shows distribution of financial liabilities at 31 December 2012 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities and off-balance sheet credit related committments. Such undiscounted cash flows differ from the amount included in the statement of financial position, since the amount in statement of financial position is based on discounted cash flows. Net settled derivative financial instruments are included at the net amounts expected to be paid. In respect of gross settled derivative financial instruments, payments are presented for related cash inflows and outflows separately.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

31 Financial Risk Management (Continued)

The maturity analysis of undiscounted financial liabilities at 31 December 2012 is as follows:

In millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 180 days*	*Due between 181 days and 1 year*	*From 1 to 3 years*	*More than 3 years*	*Total*
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(178)	(3 600)	(37 917)	(81 019)	(92 931)	(215 645)
- outflow	970	7 141	10 505	89 821	92 304	200 741
Net settled derivative financial instruments (liabilities)	273	326	-	-	-	599
Due to other banks	33 851	43 839	41 616	7 127	22 389	148 822
Customer accounts	215 897	166 412	122 397	66 060	7 635	578 401
Promissory notes issued	4 180	8 080	10 359	1 326	553	24 498
Debt securities issued	1 527	93 942	93 384	227 448	252 751	669 052
Subordinated debts	-	1 253	2 069	6 644	62 196	72 162
Other financial liabilities	3 109	249	632	-	-	3 990
Off-balance sheet financial liabilities						
Financial guarantees issued	20 535	-	-	-	-	20 535
Letters of credit	11 286	-	-	-	-	11 286
Other credit related commitments*	40 217	-	-	-	-	40 217
Total potential future payments for financial obligations	**331 667**	**317 642**	**243 045**	**317 407**	**344 897**	**1 554 658**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

31 Financial Risk Management (Continued)

The maturity analysis of undiscounted financial liabilities at 31 December 2011 is as follows:

In millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 180 days*	*Due between 181 days and 1 year*	*From 1 to 3 years*	*More than 3 years*	*Total*
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(5 223)	(20 569)	(16 714)	(51 799)	(79 554)	(173 859)
- outflow	5 440	19 102	15 969	53 215	65 867	159 593
Net settled derivative financial instruments (liabilities)	386	-	-	-	-	386
Due to other banks	948	3 880	11 232	52 113	27 507	95 680
Customer accounts	151 076	252 654	140 738	82 113	7 758	634 339
Promissory notes issued	888	13 365	5 695	405	660	21 013
Debt securities issued	1 573	26 818	37 611	193 386	160 173	419 561
Subordinated debts	-	8 107	1 581	6 341	60 392	76 421
Other financial liabilities	2 563	100	1 387	-	187	4 237
Off-balance sheet financial liabilities						
Financial guarantees issued	28 468	-	-	-	-	28 468
Letters of credit	1 428	-	-	-	-	1 428
Other credit related commitments*	36 368	-	-	-	-	36 368
Total potential future payments for financial obligations	**223 915**	**303 457**	**197 499**	**335 774**	**242 990**	**1 303 635**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

The future minimum lease payments under non-cancellable operating lease commitments where the Group is a lessee is disclosed in Note 33.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities.

The tables presented below are based on the management reports on the Bank's liquidity risk at the stated dates that were issued in accordance with the Net liquidity Gap Methodology approved by the Bank. These reports are prepared using the information extracted from the accounting system, which is based on the Russian Accounting Rules (RAR).

31 Financial Risk Management (Continued)

The table below summarizes analysis of liquidity risk at 31 December 2012:

in millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 90 days*	*Due between 91 and 180 days*	*Due between 181 and 1 year*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*Total*
Total financial assets*	196 358	151 152	188 907	219 134	387 316	372 868	111 540	1 627 275
Total financial liabilities*	252 355	151 159	157 514	246 529	267 083	324 514	-	1 399 154
Net liquidity gap	**(55 997)**	**(7)**	**31 393**	**(27 395)**	**120 233**	**48 354**	**111 540**	**228 121**
Cumulative liquidity gap	**(55 997)**	**(56 004)**	**(24 611)**	**(52 006)**	**68 227**	**116 581**	**228 121**	

* Total financial assets and total financial liabilities include gross positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

The table below summarize analysis of liquidity risk at 31 December 2011:

In millions of Russian Roubles	*Demand and less than 30 days*	*Due between 31 and 90 days*	*Due between 91 and 180 days*	*Due between 181 and 1 year*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*Total*
Total financial assets*	262 869	135 061	120 662	179 511	342 473	318 885	72 234	1 431 695
Total financial liabilities*	164 881	188 073	117 141	189 420	319 816	266 434	-	1 245 765
Net liquidity gap	**97 988**	**(53 012)**	**3 521**	**(9 909)**	**22 657**	**52 451**	**72 234**	**185 930**
Cumulative liquidity gap	**97 988**	**44 976**	**48 497**	**38 588**	**61 245**	**113 696**	**185 930**	

* Total financial assets and total financial liabilities include gross positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the liquidity risks of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

In addition, the Group has an ability to manage liquidity gap by attracting additional financing via borrowing from other banks and from CBRF, which are collaterised by Group's assets or by guarantee, and via participation in depositary actions of Federal treasury and Moscow department of finance.

Insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Group provides non-life insurance services, i.e. property insurance, agricultural insurance and personal accident insurance.

For a portfolio of insurance contracts where the theory of probabilities is applied to pricing and reserving, the principal risk that the Insurance Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques. Factors that aggravate insurance risk include a lack of risk diversification in terms of the type and amount of risk, the geographical location and the type of policyholder base covered.

32 Management of Capital

The Group's objectives when managing capital are:

I. to comply with the capital requirements set by the CBRF;

II. to ensure the Group's ability to continue as a going concern; and

III. to maintain a sufficient capital base and to achieve a capital adequacy ratio of at least 8% in accordance with the requirements as defined in the June 2004 Basel II Framework and in the reference on the application of Basel II to Trading activities and the Treatment of Double Default Effects, and elements of the 1988 Accord, and the 1996 Amendment to the Capital Accord to Incorporate Market risks.

Compliance with the capital adequacy ratio set by the CBRF is monitored by the Group's management on a monthly basis.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of capital and assets weighted to risk ("statutory capital ratio") above a prescribed minimum level.

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with Basel Accord and based on the IFRS figures.

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

In millions of Russian Roubles	*2012*	*2011*
Share capital	188 798	148 798
Retained earnings	7 117	7 017
Goodwill	(8)	(8)
Total tier 1 capital	*195 907*	*155 807*
Revaluation reserves	999	152
Subordinated debts	54 335	57 192
Total tier 2 capital	*55 334*	*57 344*
Total capital	**251 241**	**213 151**

Management of the Group is of the opinion that the Group complied with all the external capital adequacy requirements imposed by the CBRF and loan covenants.

33. Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received. As at 31 December 2012, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in these consolidated financial statements (2011: Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in these consolidated financial statements).

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

Amended Russian transfer pricing legislation took effect from 1 January 2012.The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the consequences of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may have an impact on the financial conditions and/or the overall operations of the Group.

The management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Therefore, as at 31 December 2012 the management has not created any provision for potential tax liabilities (31 December 2011: nil).

Capital expenditure commitments. As at 31 December 2012, the Group had contractual capital expenditure commitments of RR 1 million (2011: RR 135 million).

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

In millions of Russian Roubles	*2012*	*2011*
Not later than 1 year	2 506	2 433
Later than 1 year and not later than 5 years	7 007	6 977
Later than 5 years	2 478	3 591
Total operating lease commitments	**11 991**	**13 001**

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group's Management believes that the Group is in compliance with the covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial 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. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In millions of Russian Roubles	*2012*	*2011*
Undrawn credit lines	29 127	17 102
Financial guarantees issued	20 535	28 468
Letters of credit	11 286	1 428
Total credit related commitments	**60 948**	**46 998**

As at 31 December 2012 the amount of financial guarantees issued to the CBRF for two Russian banks with a rating less than BB- (S&P) was RR 2 017 (2011: the amount of financial guarantees to the CBRF for one state-owned Russian bank with a rating not less than BB- (S&P) was RR 20 732).

Undrawn credit lines are represented by revocable credit lines. The Group has the right to revoke unused portion of credit line in response to a material adverse change of the borrower. At 31 December 2012 and 31 December 2011 there are no grounds for cancellation of disclosed amount of unused credit lines.

The total outstanding contractual amount of revocable 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.

As at 31 December 2012, the fair value of guarantees issued was RR 50 million (2011: RR 114 million).

In 2012 no provision for losses on credit related commitments had to be created (2011: nil).

Credit related commitments are denominated in currencies as follows:

In millions of Russian Roubles	*2012*	*2011*
Russian Roubles	46 971	45 268
US Dollars	8 707	546
Euros	5 267	1 084
Other currencies	3	100
Total	**60 948**	**46 998**

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities.

The fiduciary assets fall into the following categories:

In millions of Russian Roubles	*2012*	*2011*
Shares and bonds of companies held with the National Settlement Depository	3 008	3 396
Promissory notes issued by the Bank	1 200	714
Shares and bonds of companies held with other depositories	333	220
Promissory notes of companies held with the Bank	200	-

Assets pledged and restricted. *The Group had the following assets pledged and restricted:*

In millions of Russian Roubles	*Note*	*2012*	*2011*
Under term deposits from clients:			
- State Eurobonds	18	6 659	7 058
Under repo agreements			
- Corporate Eurobonds	9	20 632	-
- Corporate bonds	9	-	1 878
- Federal loan bonds (OFZ)	9	-	443
- Municipal and subfederal bonds	9	-	48
Restricted cash	**16**	**202**	**202**

As at 31 December 2012, mandatory cash balances with the CBRF of RR 9 153 million (2011: RR 8 417 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 December 2012, the Bank's subsidiaries pledged production premises and equipment under loan agreements with other banks in the total amount of RR 1 378 million (2011: RR 1 375 million).

34 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms.

The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Liquidity risk on derivative financial instruments is managed by the Group's Treasury and the Capital Markets Department within powers of departments. Management of derivative financial instrument portfolio risks is carried out by authorized Group's bodies through establishing limits.

Foreign exchange swaps with original settlement dates of more than 30 working days are structured as loans issued by the Bank in US Dollars, Euros, Swiss Francs and Japanese yens to seven OECD banks and one Russian banking group with maturities from May 2013 to May 2023, and deposits in Russian Roubles received from the same eight counterparties with the same maturities ("back to back loans"). These transactions are aimed at economically hedging the currency exposure of the Group.

As at 31 December 2012, international credit ratings of these counterparties were not less than BB- (S&P) (2011: not less than BB- (S&P)).

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 31 December 2012 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	*Principal or agreed amount at fair value of assets receivable*	*Principal or agreed amount at fair value of assets payable*	*Positive fair value*	*Negative fair value*
Forwards and swaps				
Currency				
- purchase RUB/sale USD	214 817	(201 747)	17 742	(4 672)
- purchase USD/sale RUB	33 587	(34 141)	-	(554)
- purchase EUR/sale USD	1 207	(1 206)	2	(1)
- purchase USD/sale EUR	1 486	(1 489)	-	(3)
- purchase RUB/sale EUR	824	(831)	-	(7)
- purchase RUB/sale JPY	4 734	(3 891)	843	-
- purchase RUB/sale CHF	15 922	(15 874)	72	(24)
Total	**272 577**	**(259 179)**	**18 659**	**(5 261)**

34 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 31 December 2011 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	*Principal or agreed amount at fair value of assets receivable*	*Principal or agreed amount at fair value of assets payable*	*Positive fair value*	*Negative fair value*
Forwards and swaps				
Currency				
- purchase RUB/sale USD	160 693	(140 229)	21 129	(665)
- purchase USD/sale RUB	3 860	(3 878)	-	(18)
- purchase RUB/sale EUR	2 770	(2 816)	-	(46)
- purchase RUB/sale JPY	4 317	(3 877)	440	-
- purchase RUB/sale CHF	5 411	(3 684)	1 727	-
Futures				
Currency				
-purchase USD/sale RUB	966	(976)	-	(10)
Total	**178 017**	**(155 460)**	**23 296**	**(739)**

As at 31 December 2012 gross receivables and gross payables on settlement of foreign exchange swaps included the balances with one foreign bank in the amount of RR 76 209 million and RR 69 931 million, respectively, or 38% of total gross receivables or 38% of total gross payables on settlement of foreign exchange swaps (2011: RR 46 486 million and RR 41 122 million, respectively, or 32% of total gross receivables or 34% of total gross payables on settlement of foreign exchange swaps).

35 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of the fair value is the quotation of the financial instrument in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, securities available for sale, and related repurchase receivables are carried on the consolidated statement of financial position at their fair value based on quoted market prices.

Financial instruments designated at fair value through profit or loss and derivative financial instruments are carried on the consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The bank uses discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default over time.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

35 Fair Value of Financial Instruments (Continued)

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Held to maturity securities carried at amortised cost. The fair value for held to maturity securities and related repurchase receivables is based on market price.

Liabilities carried at amortised cost. The fair value of debt securities issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty. The analysis of these rates (in % p.a.) is as follows:

	2012	2011
Due from other banks		
Short-term placements with other banks with original maturity more than one month	0% - 10%	0% - 12%
Loans and advances to customers		
Corporate loans	3% - 14%	5% - 16%
Loans to individuals	11% - 32%	11% - 29%
Securities held to maturity	1% - 9%	4% - 10%
Due to other banks	0% - 10%	0% - 9%
Customer accounts		
Term deposits of legal entities	1% - 12%	1% - 13%
Term deposits of individuals	1% - 10%	2% - 9%
Promissory notes issued	1% - 9%	2% - 10%
Subordinated debts	4% - 7%	3% - 7%

(a) Fair value of financial instruments carried at amortised cost and at fair value:

	2012		2011	
In millions of Russian Roubles	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents	106 342	106 342	133 959	133 959
Mandatory cash balances with the CBRF	9 153	9 153	8 417	8 417
Due from other banks	45 930	46 646	39 569	41 531
Loans and advances to customers				
- Loans to corporates	854 058	849 537	723 366	724 085
- Lending for food interventions	21 794	21 794	33 256	33 256
- Reverse repo agreements	-	-	1 990	1 990
- Investments in agricultural cooperatives	380	380	491	491
- Loans to individuals	194 480	191 913	144 594	144 280
Investment securities held to maturity and related repurchase receivables				
-Corporate bonds	14 916	14 723	15 359	14 955
-State Eurobonds	6 659	7 575	7 058	7 013
-Municipal and subfederal bonds	3 403	3 413	3 732	3 709
-Federal Loan bonds (OFZ)	2 754	2 691	3 196	3 329
-Corporate Eurobonds	20 899	19 801	1 564	1 638
-Promissory notes	-	-	1 463	1 463
Other financial assets	8 065	8 065	6 473	6 473
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**1 288 833**	**1 282 033**	**1 124 487**	**1 126 589**
FINANCIAL ASSETS CARRIED AT FAIR VALUE	**94 465**	**94 465**	**112 432**	**112 432**
TOTAL FINANCIAL ASSETS	**1 383 298**	**1 376 498**	**1 236 919**	**1 239 021**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks				
- Term borrowings from other banks	125 770	131 727	90 065	92 523
- Term borrowings from the CBRF	10 022	10 022	-	-
- Correspondent accounts and overnight placements of other banks	551	551	352	352
Customer accounts				
- State and public organisations	77 221	77 221	197 463	197 463
- Other legal entities	292 360	292 360	258 579	258 579
- Individuals	187 895	188 076	151 253	151 316
Promissory notes issued	23 234	23 234	20 129	20 129
Debt securities issued				
- Eurobonds issued	293 678	314 302	231 155	237 489
- Bonds issued on domestic market	147 188	148 124	111 344	112 179
Other financial liabilities	4 040	4 040	4 334	4 334
Subordinated debts	55 274	56 630	57 192	54 420
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**1 217 233**	**1 246 287**	**1 121 866**	**1 128 784**
FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**5 261**	**5 261**	**739**	**739**
TOTAL FINANCIAL LIABILITIES	**1 222 494**	**1 251 548**	**1 122 605**	**1 129 523**

(b) Analysis by fair value hierarchy of financial instruments carried at fair value

Analysis of financial instruments at fair value at 31 December 2012 is as follows:

In millions of Russian Roubles	*Quoted price in an active market (Level 1)*	*Valuation technique with inputs observable in markets (Level 2)*	*Total*
Financial assets			
Trading Securities	19 220	-	19 220
Financial instruments designated at fair value through profit or loss	-	12 550	12 550
Investment securities available for sale	44 036	-	44 036
Derivative financial instruments assets	-	18 659	18 659
Financial liabilities			
Derivative financial instruments liabilities	-	(5 261)	(5 261)

Analysis of financial instruments at fair value at 31 December 2011 is as follows:

In millions of Russian Roubles	*Quoted price in an active market (Level 1)*	*Valuation technique with inputs observable in markets (Level 2)*	*Total*
Financial assets			
Repurchase receivables related to available for sale securities	1 316	-	1 316
Financial instruments designated at fair value through profit or loss	-	11 225	11 225
Investment securities available for sale	76 595	-	76 595
Derivative financial instruments assets	-	23 296	23 296
Financial liabilities			
Derivative financial instruments liabilities	-	(739)	(739)

There were no financial instruments carried at fair value based on a valuation technique with non-observable inputs (Level 3) at 31 December 2012 (2011: nil).

36 Presentation of Financial Instruments by Measurement Category

According to the IAS 39, Financial Instruments: Recognition and Measurement, the Group classifies its financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) financial assets held for trading. The table below provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2012.

In millions of Russian Roubles	*Loans and receivables*	*Available for sale assets*	*Trading assets*	*Financial assets designated at fair value through profit or loss*	*Held-to-maturity assets*	*Total*
Financial assets						
Cash and cash equivalents						
- cash on hand	23 284	-	-	-	-	23 284
- cash balances with the CBRF (other than mandatory reserve deposits)	46 266	-	-	-	-	46 266
- correspondent and settlement accounts and placements with other banks with original maturities of less than one month	36 792	-	-	-	-	36 792
Mandatory cash balances with the CBRF	9 153	-	-	-	-	9 153
Trading Securities	-	-	19 220	-	-	19 220
Repurchase receivables	-	-	-	-	20 632	20 632
Financial instruments designated at fair value through profit or loss	-	-	-	12 550	-	12 550
Derivative financial instruments	-	-	18 659	-	-	18 659
Due from other banks	45 930	-	-	-	-	45 930
Loans and advances to customers						
- Loans to corporates	854 058	-	-	-	-	854 058
- Lending for food interventions	21 794	-	-	-	-	21 794
- Investments in agricultural cooperatives	380	-	-	-	-	380
- Loans to individuals	194 480	-	-	-	-	194 480
Investment securities available for sale	-	44 036	-	-	-	44 036
Investment securities held to maturity	-	-	-	-	27 999	27 999
Other financial assets	8 065	-	-	-	-	8 065
TOTAL FINANCIAL ASSETS	**1 240 202**	**44 036**	**37 879**	**12 550**	**48 631**	**1 383 298**
Non-financial assets						**45 352**
TOTAL ASSETS	**1 240 202**	**44 036**	**37 879**	**12 550**	**48 631**	**1 428 650**

The table below provides a reconciliation of classes of financial assets with measurement categories mentioned above as at 31 December 2011.

In millions of Russian Roubles	*Loans and receivables*	*Available for sale assets*	*Trading assets*	*Financial assets designated at fair value through profit or loss*	*Held-to-maturity assets*	*Total*
Financial assets						
Cash and cash equivalents						
- cash on hand	19 635	-	-	-	-	19 635
- cash balances with the CBRF (other than mandatory reserve deposits)	33 015	-	-	-	-	33 015
- correspondent and settlement accounts and placements with other banks with original maturities of less than one month	81 309	-	-	-	-	81 309
Mandatory cash balances with the CBRF	8 417	-	-	-	-	8 417
Repurchase receivables	-	1 316	-	-	1 053	2 369
Financial instruments designated at fair value through profit or loss	-	-	-	11 225	-	11 225
Derivative financial instruments	-	-	23 296	-	-	23 296
Due from other banks	39 569	-	-	-	-	39 569
Loans and advances to customers						
- Loans to corporates	723 366	-	-	-	-	723 366
- Lending for food interventions	33 256				-	33 256
- Deals with securities purchased under "reverse-repo agreements"	1 990	-	-	-	-	1 990
- Investments in agricultural cooperatives	491	-	-	-	-	491
- Loans to individuals	144 594	-	-	-	-	144 594
Investment securities available for sale	-	76 595	-	-	-	76 595
Investment securities held to maturity	-	-	-	-	31 319	31 319
Other financial assets	6 473	-	-	-	-	6 473
TOTAL FINANCIAL ASSETS	**1 092 115**	**77 911**	**23 296**	**11 225**	**32 372**	**1 236 919**
Non-financial assets						**47 507**
TOTAL ASSETS	**1 092 115**	**77 911**	**23 296**	**11 225**	**32 372**	**1 284 426**

All of the Group's financial liabilities except for derivative financial instruments are carried at amortised cost. Derivative financial instruments are classified as held for trading.

37 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property. Refer to Note 1.

The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state-owned entities and parties that are related to such entites because the Russian state has control, joint control or significant influence over such parties.

In these consolidated financial statements, the most significant balances and transactions with related partiesowned by the Russian State and balances and transactions with related parties represented by key management and their family members are disclosed.

In millions of Russian Roubles	*2012*	*2011*
Loans and advances to customers (before impairment)		
State-owned entities (contractual interest rate: 7%-12% p.a. (2011: 7%-12% p.a.))	30 222	39 233
Provision for loan impairment at the year end		
State-owned entities	(15)	(11)
Investment securities issued by Russian Federation		
Investment securities available for sale	7 629	9 149
Investment securities held to maturity	9 413	10 254
Customer accounts		
State-owned entities (contractual interest rate for term deposits: 4%-12% p.a. (2011: 4%-10% p.a.))	87 135	225 451
Key management and their family members (contractual interest rate for term deposits: 3%-13% p.a. (2011: 1%-10% p.a.))	59	24
Subordinated debts		
State-owned entities (contractual interest rate: 6.5% p.a. (2011: 6.5% p.a.))	25 009	25 004

The income and expense items with related parties were as follows:

In millions of Russian Roubles	*2012*	*2011*
Interest income on loans and advances to customers		
State-owned entities	2 836	3 040
Interest income on investment securities issued by Russian Federation		
Investment securities available for sale	492	516
Investment securities held to maturity	527	526
Interest expense on customer accounts		
State-owned entities	(9 334)	(10 765)
Key management and their family members	(2)	(11)
Interest expense on subordinated debts		
State-owned entities	(1 625)	(1 621)

The Group had also the following insignificant balances and transactions with related parties:

- cash and cash equivalents as at 31 December 2012 and as at 31 December 2011 (refer to Note 7);
- repurchase receivables as at 31 December 2012 and as at 31 December 2011 (refer to Note 9);
- due from state-owned banks as at 31 December 2012 and as at 31 December 2011;
- securities of state-owned companies and banks in portfolio of securities avalaible for sale as at 31 December 2012 and as at 31 December 2011 (refer to Note 13);
- securities of state-owned companies and banks in portfolio of securities held to maturity as at 31 December 2012 and as at 31 December 2011 (refer to Note 14);
- due to state-owned banks as at 31 December 2012;
- credit related commitments as at 31 December 2012 and as at 31 December 2011 (refer to Note 33);
- foreign exchange swap with one state-owned Banking Group as at 31 December 2012 and as at 31 December 2011;
- interest income on cash equivalents, trading securities, securities available for sale, securities held to maturity and related repurchase receivables, due from other banks;
- interest expense on due to other banks;
- results from operation with trading securities and securities available for sale; and
- other.

In 2012 and 2011, the only transactions with the shareholder were share capital increase, dividends and taxes paid. Refer to Note 28 and 29.

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. In 2012 short-term benefits of the key management amounted to RR 269 million (2011: RR 113 million).

	2012		*2011*	
In millions of Russian Roubles	*Remuneration paid*	*Accrued liability*	*Remuneration paid*	*Accrued liability*
Short-term benefits: Salary, social security costs and short-term bonuses included in salary	181	70	108	4
Post-employment benefits: State pension and social costs	18	-	1	-
Total	**199**	**70**	**109**	**4**

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

38 Disposal of Subsidiaries and Groups Classified as Held for Sale

a) Disposal of Subsidiaries

As a result of insolvency procedures in March 2012, the Group lost the control over ZAO "Agroholding "SP-Holod", in October 2012, the Group lost the control over Agrolux. In December 2012, the Group sold APP Stavropolye to third party. The details of the disposed assets and liabilities and disposal consideration are as follows:

In millions of Russian Roubles	*2012*
Cash and cash equivalents	266
Prepayments for goods	363
Premises and equipment	1 171
Deferred tax assets	400
Other assets	18
Due to other banks	(1 585)
Current income tax liability	(102)
Trade payables	(218)
Other financial liabilities	(409)
Other liabilities	(3)
Net liabilities of subsidiaries	**(99)**
Less: non-controlling interest	151
Carrying amount of net assets disposed of	**52**

The loss on disposal of the subsidiaries comprises:

In millions of Russian Roubles	*Loss on disposal of subsidiary*
Consideration for disposal of the subsidiaries	-
Less: carrying amount of net assets disposed of	(52)
Loss on disposal of subsidiaries	**(52)**

In June 2011 the Group completed disposal of its subsidiary Chelyabinskiy Commercial Land Bank.

In millions of Russian Roubles	*2011*
Cash and cash equivalents	250
Mandatory cash balances with the Central Bank of the Russian Federation	2
Intangible assets	1
Premises and equipment	58
Customer accounts	(30)
Current income tax liability	(2)
Other liabilities	(74)
Net assets of subsidiary	**205**
Carrying amount of net assets disposed of	**205**
Total disposal consideration	**226**
Less: cash and cash equivalents in subsidiary disposed of	(250)
Cash outflow on disposal	**(24)**

The gain on disposal of the subsidiaries comprises:

In millions of Russian Roubles	*Gain on disposal of subsidiary*
Consideration for disposal of the subsidiary	226
Less: carrying amount of net assets disposed of	(205)
Gains on disposal of subsidiary	**21**

b) Groups Classified as Held for Sale

As at 31 December 2012 the Group has classified the assets and liabilities related to companies in Bashkortostan and Leningrad Region as disposal groups held for sale (31 December 2011: the assets and liabilities related to companies in Bashkortostan and Leningrad Region as disposal groups held for sale).

Major classes of assets of disposal groups held for sale are as follows:

In millions of Russian Roubles	*31 December 2012*	*31 December 2011*
Premises and equipment	3 032	2 861
Trade receivables	957	1 119
Inventory	792	745
Loans and advances to customers	117	108
Cash and cash equivalents	6	6
Other	434	262
Total assets of disposal groups held for sale	**5 338**	**5 101**

38 Disposal of Subsidiaries and Groups Classified as Held for Sale (Continued)

Major classes of liabilities directly associated with disposal groups held for sale are as follows:

In millions of Russian Roubles	*31 December 2012*	*31 December 2011*
Due to other banks	7	-
Trade payables	731	639
Deferred income tax liability	280	301
Other	392	342
Total liabilities directly associated with disposal groups held for sale	**1 410**	**1 282**

Cumulative income or expenses recognised in statement of comprehensive income relating to disposal groups classified as held for sale as part of gains net of losses from non-banking activity:

In millions of Russian Roubles	*2012*	*2011*
Sales of goods	3 464	3 845
Cost of goods sold	(3 395)	(3 276)
Administrative and other operating expenses	(329)	(435)
Other income	319	327
Other expenses	(288)	(291)
Total (expense)/income directly associated with disposal groups held for sale	**(229)**	**170**

During 2012 the certain circumstances arised, which were previously considered unlikely, and, as a result, a non-current asset previously classified as held for sale were not sold by the end of 2012. The Group is actively marketing these assets and expects the sale to complete by the end of 2013.

39 Events after the End of the Reporting Period

In February 2013, the Group placed CNY 1 000 million Eurobonds (loan participation notes) maturing in February 2016 with semi-annual payments of coupon at 3.6% p.a.

In February 2013, the Group issued RR 10 000 million Eurobonds (loan participation notes) (placed at par) maturing in February 2018 with semi-annual payments of coupon at 7.875% p.a.

In March 2013, the Group repaid Eurobonds denominated in Russian Rouble in the amount of RR 30 000 million issued in March 2010.

Regional Branches Addresses

Adygea Regional Branch Reg. N° 3349/12 as of September 27, 2000	24 Krasnooktiabrskaya St., Maikop, Russia, 385000 Tel/Fax +7 (8772) 52-30-24 E-mail: Direktor@adg.rshb.ru
Altai Regional Branch Reg. N° 3349/18 as of December 18, 2000	80B Lenin Ave., Barnaul, the Altai Territory, Russia, 656015 Tel: +7 (3852) 35-69-39 Fax: +7 (3852) 35-69-52 E-mail: bank@altay.rshb.ru
Amur Regional Branch Reg. N° 3349/23 as of December 18, 2000	142 Lenin St., Blagoveshchensk, Russia, 675000 Tel: +7 (4162) 22-18-02 Fax: +7 (4162) 22-18-05 E-mail: referent@amur.rshb.ru
Arkhangelsk Regional Branch Reg. N° 3349/48 as of October 4, 2001	34 Karl Libchnecht St., Arkhangelsk, Russia, 163000 Tel/Fax: +7 (8182) 65-38-42 E-mail: info@arh.rshb.ru
Astrakhan Regional Branch Reg. N° 3349/17 as of December 18, 2000	34 Sverdlov St., Astrakhan, Russia, 414000 Tel: +7 (8512) 63-28-02 Fax: +7 (8512) 63-28-04 E-mail: office@astr.rshb.ru
Bashkir Regional Branch Reg. N° 3349/62 as of April 26, 2004	70 Lenin St., Ufa, Russia, 450008 Tel/Fax: +7 (3472) 73-54-32 E-mail: info@bash.rshb.ru
Belgorod Regional Branch Reg. N° 3349/30 as of April 10, 2001	49 Pushkin St., Belgorod, Russia, 308015 Tel/Fax: +7 (4722) 23-50-23 E-mail: BRF@belg.rshb.ru
Bryansk Regional Branch Reg. N° 3349/69 as of September 14, 2006	1/5 Begitskaya St., Bryansk, Russia, 241007 Tel: +7 (4832) 68-19-22 Fax: +7 (4832) 68-19-65 E-mail:dir@bryansk.rshb.ru
Buryatia Regional Branch Reg. N° 3349/59 as of August 1, 2002	57b Smolin St., Ulan-Ude, Russia, 670000 Tel/Fax: +7 (3012) 28-71-00 E-mail: bank@bur.rshb.ru
Chechen Regional Branch Reg. N° 3349/34 as of April 10, 2001	10/77 Esambaev Ave., Grozny, Russia, 364024 Tel: +7 (8712) 22-27-50 Fax: +7 (8712) 22-28-01 E-mail: erihanov@rshb.ru
Chelyabinsk Regional Branch Reg. N° 3349/78 as of August 7, 2008	35 Lenin Ave., Chelyabinsk, Russia, 454090 Tel: +7 (351) 263-78-53 E-mail: bank@chel.rshb.ru
Chita Regional Branch Reg. N° 3349/47 as of October 4, 2001	21 Alexandro-Zavodskaya St., the Ingodinsky Administrative District, Chita, Russia, 672039 Tel: +7 (3022) 36-99-10 Fax: +7 (3022) 36-99-99 E-mail: referent@chita.rshb.ru

Chukotka Regional Branch Reg. N° 3349/77 as of April 7, 2008	47 Lenin St., Anadyr, Russia, 689000 Tel: +7 (427-22) 2-88-65 Fax: +7 (427-22) 2-02-55 E-mail: director@chukotka.rshb.ru
Chuvash Regional Branch Reg. N° 3349/11 as of September 27, 2000	31 President Blvd., Cheboksary, Russia, 428032 Tel/Fax +7 (8352) 66-24-64 E-mail: RF@chuvashia.rshb.ru
Dagestan Regional Branch Reg. N° 3349/4 as of September 27, 2000	54a Gamidov Ave., Makhachkala, Russia, 367010 Tel: +7 (8722) 51-71-00, Fax: +7 (8722) 51-71-06 E-mail: referent@dag.rshb.ru
Gorno-Altaysk Regional Branch Reg. N° 3349/70 as of October 6, 2006	68 Kommunistichesky Ave., Gorno-Altaysk, the Republic of Altai, Russia, 649000 Tel: +7 (38822) 2-30-49 E-mail: director@galtay.rshb.ru
Jewish Regional Branch Reg. N° 3349/29 as of March 22, 2001	6 Komsomolskaya St., Birobidjan, Russia, 679000 Tel/Fax: +7 (42622) 2-39-21 E-mail: referent@bir.rshb.ru
Ivanovo Regional Branch Reg. N° 3349/38 as of May 29, 2001	21/1 Lenin Ave., Ivanovo, Russia, 153002 Tel: +7 (4932) 41-41-42 Fax: +7 (4932) 24-98-00 E-mail: ivrshb@ivanovo.rshb.ru
Irkutsk Regional Branch Reg. N° 3349/66 as of October 13, 2005	180 Rozy Luxembourg St., Irkutsk, Russia, 664040 Tel/Fax +7 (3952) 44-24-00 E-mail: director@irk.rshb.ru
Ingush Regional Branch Reg. N° 3349/42 as of June 21, 2001	13a Moskovskaya St., Nazran, Russia, 386102 Tel: +7 (8732) 22-08-01 Fax: +7 (8732) 22-08-00 E-mail: office@ing.rshb.ru
Kabardino-Balkaria Regional Branch Reg. N° 3349/44 as of June 26, 2001	10a Kouliev Ave., Nalchik, Russia, 360030 Tel: +7 (8662) 47-77-94 Fax: +7 (8662) 40-00-13 E-mail: kbr@kbal.rshb.ru
Kaliningrad Regional Branch Reg. N° 3349/55 as of March 6, 2002	51V Alexander Nevsky St., Kaliningrad, Russia, 236016 Tel: +7 (4012) 55-62-01 Fax: +7 (4012) 55-62-71 E-mail: info@klngd.rshb.ru
Kalmyk Regional Branch Reg. N° 3349/36 as of April 20, 2001	87 Yuri Klykov St., Elista, Russia, 358003 Tel/ Fax: +7 (84722) 6-43-58 E-mail: elista@kalmyk.rshb.ru
Kaluga Regional Branch Reg. N° 3349/27 as of February 13, 2001	9A Kirov St., Kaluga, Russia, 248001 Tel: +7 (48422) 57-50-03 Fax: +7 (48422) 57-11-68 E-mail: director@kaluga.rshb.ru

Kamchatka Regional Branch Reg. N° 3349/53 as of February 8, 2002	63 Pobedy Ave., Petropavlovsk-Kamchatsky, Russia, 683023 Tel: +7 (4152) 49-02-15 Fax: +7 (4152) 49-02-18 E-mail: post@kamchatka.rshb.ru
Karachay-Cherkessia Regional Branch Reg. N° 3349/31 as of April 10, 2001	19 Kavkazskaya St., Cherkessk, Russia, 369004 Tel/Fax: +7 (87822) 6-03-32 E-mail: Hadzhieva@karacherk.rshb.ru
Karelia Regional Branch Reg. N° 3349/21 as of December 18, 2000	37/1 Pervomaisky Ave., Petrozavodsk, Russia, 185910 Tel/Fax: +7 (8142) 70-34-57 E-mail: public@karel.rshb.ru
Kemerovo Regional Branch Reg. N° 3349/56 as of March 6, 2002	8a Sovetsky Ave., Kemerovo, Russia, 650099 Tel: +7 (3842) 34-60-30 Fax: +7 (3842) 34-60-32 E-mail: office@kemerovo.rshb.ru
Khabarovsk Regional Branch Reg. N° 3349/75 as of October 1, 2007	120 Kalinina St., Khabarovsk, Russia, 680000 Tel/Fax: +7 (4212) 47-66-52 E-mail: priem@hab.rshb.ru
Khakassia Regional Branch Reg. N° 3349/37 as of April 20, 2001	72 Chertygashev St., Abakan, Russia, 655017 Tel/Fax: +7 (3902) 22-44-67 E-mail: office@hakas.rshb.ru
Kirov Regional Branch Reg. N° 3349/22 as of December 18, 2000	5 Gorky St., Kirov, Russia, 610017 Tel: +7 (8332) 57-96-45 Fax: +7 (8332) 54-16-99 E-mail: mail@kirov.rshb.ru
Komi Regional Branch Reg. N° 3349/74 as of June 5, 2007	112/1 Pervomayskaya St., Syktyvkar, Russia, 167000 Tel/Fax: +7 (8212) 44-83-79 E-mail: filial@komi.rshb.ru
Kostroma Regional Branch Reg. N° 3349/51 as of January 11, 2002	6 Mira Ave., Kostroma, Russia, 156000 Tel/Fax: +7 (4942) 37-35-20 E-mail: mail@kostroma.rshb.ru
Krasnodar Regional Branch Reg. N° 3349/3 as of September 27, 2000	2 Korolenko St., the Central District, Krasnodar, Russia, 350038 Tel: +7 (861) 253-66-15 Fax: +7 (861) 253-66-51 E-mail: director@krd.rshb.ru
Krasnoyarsk Regional Branch Reg. N° 3349/49 as of December 13, 2001	33 Perensona St., Krasnoyarsk, Russia, 660049 Tel: +7 (391) 267-67-07, Fax: +7 (391) 267-66-99 E-mail: info@krsn.rshb.ru
Kurgan Regional Branch Reg. N° 3349/45 as of July 27, 2001	157 Sovetskaya St., Kurgan, Russia, 640018 Tel: +7 (3522) 23-90-70 Fax: +7 (3522) 23-90-60 E-mail: rshb@kurgan.rshb.ru

Kursk Regional Branch Reg. N° 3349/32 as of April 10, 2001	12 Sadovaya St., Kursk, Russia, 305004 Tel/Fax +7 (4712) 39-05-80 E-mail: referent@kursk.rshb.ru
Lipetsk Regional Branch Reg. N° 3349/24 as of December 18, 2000	17a Vodopianov St., Lipetsk, Russia, 398046 Tel/Fax +7 (4742) 46-18-90 E-mail: office@lip.rshb.ru
Magadan Regional Branch Reg. N° 3349/40 as of June 13, 2001	40 Karl Marx Ave., Magadan, Russia, 685000 Tel: +7 (4132) 60-55-65 Fax: +7 (4132) 60-16-41 E-mail: info@magadan.rshb.ru
Mari El Regional Branch Reg. N° 3349/16 as of September 29, 2000	116 Volkova St., Yoshkar-Ola, Russia, 424002 Tel: +7 (8362) 56-62-42 Fax: +7 (8362) 56-69-56 E-mail: office@mar.rshb.ru
Mordovia Regional Branch Reg. N° 3349/20 as of December 18, 2000	47A Sovetskaya St., Saransk, Russia, 430005 Tel: +7 (8342) 29-23-01 Fax: +7 (8342) 29-23-02 E-mail: info@mrd.rshb.ru
Moscow Regional Branch Reg. N° 3349/63 as of January 28, 2005	2D Listvennichnaya Alley, Moscow, Russia, 127550 Tel: +7 (495) 977-64-60 Fax: +7 (495) 977-56-64 E-mail: referent@msk.rshb.ru
Murmansk Regional Branch Reg. Number: 3349/33 as of April 10, 2001	11 Pavlov St., Murmansk, Russia, 183032 Tel/Fax: +7 (8152) 25-86-61 E-mail: office@murm.rrshb.ru
Nizhny Novgorod Regional Branch Reg. N° 3349/39 as of June 13, 2001	3 Kulibina St., Nizhny Novgorod, Russia, 603022 Tel/Fax: +7 (831) 211-62-70 E-mail: nnrshb@nnovgorod.rshb.ru
North Ossetia Regional Branch Reg. N° 3349/26 as of February 9, 2001	2 Kantemirov St., Vladikavkaz, Russia, 362007 Tel: +7 (8672) 53-22-81 Fax: +7 (8672) 53-44-30 E-mail: alania@oset.rshb.ru
Novgorod Regional Branch Reg. N° 3349/8 as of September 27, 2000	9 Bolshaya Moscovskaya St., Veliky Novgorod, Russia, 173000 Tel/Fax: +7 (8162) 63-22-21 E-mail: ngd@vnovgorod.rshb.ru
Novosibirsk Regional Branch Reg. N° 3349/25 as of February 9, 2001	13 Fabrichnaya St., Novosibirsk, Russia, 630007 Tel/Fax: +7 (3832) 18-30-35 E-mail: bank@nsk.rshb.ru
Omsk Regional Branch Reg. N° 3349/9 as of September 27, 2000	52 Frunze St., Omsk, Russia, 644043 Tel/Fax +7 (3812) 23-34-23 E-mail: office@omsk.rshb.ru

Orenburg Regional Branch Reg. N° 3349/5 as of September 27, 2000	59 Leninskaya St., Orenburg, Russia, 460000 Tel/Fax: +7 (3532) 77-02-95 E-mail: referent@orn.rshb.ru
Orel Regional Branch Reg. N° 3349/10 as of September 27, 2000	60 Dubrovinskiy Embankment, Orel, Russia, 302030 Tel: +7 (086-2) 54-11-20 Fax: +7 (4862) 54-11-28 E-mail: ref@orel.rshb.ru
Penza Regional Branch Reg. N° 3349/15 as of September 29, 2000	39 Bekeshskaya St., Penza, Russia, 440018 Tel: +7 (8412) 42-18-73 Fax: +7 (8412) 42-18-45 E-mail: info@penza.rshb.ru
Perm Regional Branch Reg. N° 3349/76 as of December 14, 2007	50 Lenin St., Perm, Russia, 614000 Tel/Fax: +7 (342) 218-14-62 E-mail: office@perm.rshb.ru
Primorsky Regional Branch Reg. N° 3349/54 as of February 8, 2002	26-1 Okeansky Ave., Vladivostok, Russia, 690091 Tel/Fax: +7 (4232) 26-75-59 E-mail: Referent@primor.rshb.ru
Pskov Regional Branch Reg. N° 3349/68 as of September 14, 2006	44A Nekrasov St., Pskov, Russia, 180000 Tel/Fax: +7 (8112) 66-81-18 E-mail: bank@pskov.rshb.ru
Rostov Regional Branch Reg. N° 3349/7 as of September 27, 2000	14A M. Nagibin Ave., Rostov-on-Don, Russia, 344038 Tel/Fax:+7 (8632) 43-25-00 E-mail: mail@rostov.rshb.ru
Ryazan Regional Branch Reg. N° 3349/58 as of July 31, 2002	58 Svobody St., Ryazan, Russia, 390000 Tel: +7 (4912) 28-42-00 Fax: +7 (4912) 28-42-01 E-mail: bank@ryazan.rshb.ru
Samara Regional Branch Reg. N° 3349/13 as of September 29, 2000	10 Academician Platonov St., Samara, Russia, 443011 Tel/Fax: +7 (846) 373-51-01, 373-51-19 E-mail: tmas@samara.rshb.ru
Saint Petersburg Regional Branch Reg. N° 3349/35 as of April 12, 2001	5 Paradnaya St., St. Petersburg, Russia, 119014 Tel/Fax: +7 (812) 335-06-30 E-mail: office@spb.rshb.ru
Saratov Regional Branch Reg. N° 3349/52 as of February 6, 2002	65/2 Radyscheva St., Saratov, Russia, 410003 Tel/Fax: +7 (8452) 26-22-00 E-mail: info@saratov.rshb.ru
Sakhalin Regional Branch Reg. N° 3349/72 as of April 19, 2007	107 Mira Ave. , Yuzhno-Sakhalinsk, the Sakhalin Region, Russia, 693020 Tel/Fax: +7 (4242) 31-21-01 E-mail: office@shl.rshb.ru
Smolensk Regional Branch Reg. N° 3349/43 as of June 25, 2001	4B Kommunisticheskaya St., Smolensk, Russia, 214000 Tel/Fax: +7 (0812) 38-14-41 E-mail: info@smol.rshb.ru

Stavropol Regional Branch Reg. № 3349/6 as of September 27, 2000	107A Shpakovskaya St., Stavropol, the Stavropol Territory, Russia, 355037 Tel/Fax: +7 (8652) 55-03-90 E-mail: referent@stavropol.rshb.ru
Sverdlovsk Regional Branch Reg. № 3349/73 as of May 18, 2007	27 March the 8th St. , Ekaterinburg, Russia, 620014 Tel: +7 (343) 356-18-60 E-mail: office@sverdlovsk.rshb.ru
Tambov Regional Branch Reg. № 3349/2 as of September 27, 2000	20 Maksim Gorky St., Tambov, Russia, 392000 Tel: + 7 (4752) 63-03-05 Fax: +7 (4752) 63-03-07 E-mail: office@tambov.rshb.ru
Tatarstan Regional Branch Reg. № 3349/67 as of March 16, 2006	80 Dostoevsky St., Kazan, Russia, 420097 Tel: +7 (843) 524-98-05 E-mail: rkazan@kazan.rshb.ru
Tomsk Regional Branch Reg. № 3349/64 as of May 11, 2005	8B Moskovsky Tract, Tomsk, Russia, 634050 Tel/Fax: +7 (3822) 42-09-82 E-mail: Rakov@tomsk.rshb.ru
Tver Regional Branch Reg. № 3349/19 as of December 18, 2000	37 Dmitry Donskoy St., Tver, Russia, 170006 Tel/Fax: +7 (4822) 77-37-20 E-mail: mail@tver.rshb.ru
Tuva Regional Branch Reg. № 3349/57 as of March 6, 2002	23 Tyvinskie Dobrovoltsy St., Kyzl, the Tuva Republic, Russia, 667000 Tel: +7 (39422) 1-41-01 Fax: +7 (39422) 1-41-04 E-mail: rshb@tuva.ru
Tula Regional Branch Reg. № 3349/1 as of September 27, 2000	5 Turgenevskaya St., Tula, Russia, 300041 Tel: +7 (4872) 55-04-04 Fax: +7 (4872) 55-00-80 E-mail: filial@tula.rshb.ru
Tyumen Regional Branch Reg. № 3349/71 as of December 29, 2006	21 Pervomaiskaya St., Tyumen, Russia, 625000 Tel: +7 (3452) 50-06-25 E-mail: office@tumen.rshb.ru
Udmurt Regional Branch Reg. № 3349/28 as of February 26, 2001	30 Telegina St., Izhevsk, Russia, 426006 Tel: +7 (3412) 63-11-36 E-mail: RF@udm.rshb.ru
Ulyanovsk Regional Branch Reg. № 3349/65 as of June 17, 2005	15 Minayev St., Ulyanovsk, Russia, 432017 Tel/Fax +7 (8422) 41-00-22 E-mail: DirectorUln@uln.rshb.ru
Vladimir Regional Branch Reg. № 3349/41 as of June 21, 2001	1b Bolshaya Moskovskaya St., Vladimir, Russia, 600000 Tel: +7 (4922) 42-12-80 Fax: +7 (4922) 32-48-78 E-mail: info@vladimir.rshb.ru

Volgograd Regional Branch Reg. N° 3349/46 as of October 4, 2001	57B Parkhomenko St., Volgograd, Russia, 400050 Tel/Fax: +7 (8442) 23-72-01 E-mail: mail@volg.rshb.ru
Vologda Regional Branch Reg. N° 3349/50 as of January 11, 2002	4 Petin St., Vologda, Russia, 160002 Tel/Fax: +7 (8172) 26-68-06 E-mail: info@vologda.rshb.ru
Voronezh Regional Branch Reg. N° 3349/14 as of September 29, 2000	19B Moskovsky Ave., the Kominternovsky District, Voronezh, Russia, 394016 Tel: +7 (4732) 69-71-71 Fax: +7 (4732) 46-21-72 E-mail: vrf@vrn.rshb.ru
Yakutsk Regional Branch Reg. N° 3349/60 as of February 11, 2003	28/1 Kourashov St., Yakutsk, Russia, 677000 Tel/Fax: +7 (4112) 34-37-73 E-mail: office@yakutia.rshb.ru
Yaroslavl Regional Branch Reg. N° 3349/61 as of June 11, 2003	28A Pobedy St., Yaroslavl, Russia, 150040 Tel: +7 (4852) 32-12-44 Fax: +7 (4852) 30-16-19 E-mail: dir@yar.rshb.ru

Contacts and Payment Details

Russian Agricultural Bank Details

Full Name	Russian Agricultural Bank
Legal Form	Open Joint Stock Company
General Banking License	N° 3349 dated July 11, 2012
Registration Details	Central Bank of the Russian Federation, dated April 24, 2000, Moscow
Registered Number	1027700342890
Regulatory / Supervisory Authority	Central Bank of the Russian Federation
Legal Address	3 Gagarinsky Pereulok, Moscow, Russia, 119034
Contact Number	+ 7 (495) 787-7787
E-mail	office@rshb.ru
Internet Website	www.rshb.ru, www.rusagrobank.com

Contact Details / International Contacts

Address	1 Arbat Street, Moscow, Russia, 119019
Tel/Fax	+7 (495) 363-0653
E-mail	**Investor Relations** IR_RusAgroBank@rshb.ru **Financial Institutions** fininst@rshb.ru **Structured and Trade Finance** exterfin@rshb.ru

Account Details

Account with OPERU MGTU Bank of Russia	30101810200000000111
Tax Identification Number (INN) / KPP	7725114488 / 997950001
BIC	044525111
OKPO Code	52750822
OKONKH Code	96120
OKATO Code	45286590000
Telex	485493 RSB RU
SWIFT	RUAG RU MM

Licenses

- General license for banking operations N° 3349 (issued by the Central Bank of the Russian Federation July 11, 2012);
- License for brokerage activity (issued by the Russian Federal Service for Financial Markets May 19, 2005 N°007-08455-100000);
- License for dealing operations (issued by the Russian Federal Service for Financial Markets May 19, 2005 N°007-08456-010000);
- License for depositary operations (issued by the Russian Federal Service for Financial Markets May 19, 2005 N°007-08461-000100);
- License as a stock market agent for concluding commodity futures and options transactions in stock trading (issued by the Russian Federal Service for Financial Markets November 17, 2009 N°1473);
- License for attracting deposits and placing precious metals (issued by the Central Bank of the Russian Federation April 17, 2013 N°3349);
- License for the development, production, distribution of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities, for work and services in the field of data encryption, technical support services of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities (except where technical support services of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities, are performed for the own needs of the legal entity or the individual entrepreneur) (issued by the Center of the Federal Security Service of the Russian Federation for Licensing, Certifying and Protecting State Secrets April 11, 2013 N°12810H).

Certificates:

- Certificate of the State registration of the credit organization, Registration N° 3349 (issued by the Bank of Russia April 24, 2000);
- Certificate of the Bank's inclusion in the State Register of Banks –participants in the obligatory deposit insurance system (issued by the State Agency for Deposit Insurance March 14, 2005 N° 760);
- Certificate of the registration of the legal entity by the tax authority (issued by the Russian Ministry of Taxation February 8, 2001);
- Certificate of the registration in the Unified State Register of Legal Entities (issued by the Russian Ministry of Taxation October 22, 2002);
- Insurance certificate (issued by the Social Insurance Fund of the Russian Federation March 14, 2001);
- Certificate of the registration in the Municipal Register of Enterprises of the city of Moscow (issued by the Moscow Registration Chamber May 18, 2000 N°002.003.381);
- Certificate of a change in the legal address (issued by the Federal Tax Service December 25, 2008).