ROSBANK Group

Consolidated Financial Statements
Year Ended 31 December 2012

ROSBANK GROUP

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ROSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the ROSBANK banking group ("the Group") as at 31 December 2012, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2012 were authorized for issue on 15 April 2013 by the Board of Directors of "ROSBANK" (OJSC JSCB).

On behalf of the Board of Directors:

Chairman of the Management Board	**Chief Financial Officer**
15 April 2013	15 April 2013
Moscow	Moscow

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Moscow, 125047
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INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Board of Directors of "ROSBANK" (OJSC JSCB):

We have audited the accompanying consolidated financial statements of "ROSBANK" (OJSC JSCB) and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 the 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 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 provide a basis for our audit opinion

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 the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

15 April 2013
Moscow, Russian Federation

Ekaterina Ponomarenko, Partner
(certificate № 01-000190 dated 28 November 2011)
ZAO Deloitte & Touche CIS

The Entity: "ROSBANK" (OJSC JSCB)

Certificate of state registration № 2272 dated 02.03.1993.

Certificate of registration in the Unified State Register № 1027739460737 of 25 October 2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: Russia, 107078, Moscow, Mashi Poryvaevoy, bld. 11

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Interest income	8, 35	78,970	71,140
Interest expense	8, 35	(33,108)	(27,133)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		45,862	44,007
Provision for impairment losses on interest bearing assets	9, 35	(7,697)	(5,400)
NET INTEREST INCOME		38,165	38,607
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	10, 35	379	(681)
Net loss on foreign exchange operations	11, 35	(103)	(76)
Net gain/(loss) on precious metals operations	12	50	(92)
Net realized gain on sale of investments available-for-sale		240	8
Fee and commission income	13, 35	12,278	9,835
Fee and commission expense	13, 35	(2,523)	(2,008)
Other provisions	9	(990)	(1,504)
Dividend income		223	689
Other income	14, 35	934	786
NET NON-INTEREST INCOME		10,488	6,957
OPERATING INCOME		48,653	45,564
OPERATING EXPENSES	15, 35	(36,910)	(34,625)
PROFIT BEFORE INCOME TAX		11,743	10,939
Income tax expense	16	(3,311)	(2,419)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**8,432**	**8,520**
Loss for the period from discontinued operations	7	(244)	-
NET PROFIT		**8,188**	**8,520**
Attributable to:			
Owners of the parent		8,188	8,426
Non-controlling interest		-	94
		8,188	**8,520**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted (in RUB)	17	5.28	5.97
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(54)	125
Cash flow hedge		289	(477)
Investments available-for-sale:			
- Change in fair value of investments available-for-sale		7,126	(228)
- Reclassification adjustment relating to available-for-sale investments disposed of in the period		(57)	-
Revaluation of property and equipment		-	2,259
		7,304	1,679
Deferred income tax related to other comprehensive income:			
Investments available-for-sale		(1,414)	46
Property and equipment		-	(452)
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		5,890	1,273
TOTAL COMPREHENSIVE INCOME		**14,078**	**9,793**
Attributable to:			
Owners of the parent		14,078	9,699
Non-controlling interests		-	94
		14,078	**9,793**

On behalf of the Board:

Chairman of the Management Board

15 April 2013
Moscow

Chief Financial Officer

15 April 2013
Moscow

АКЦИОНЕРНЫЙ КОММЕРЧЕСКИЙ БАНК "РОСБАНК" ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО Г.Р. № 2272 МОСКВА

The notes on pages 9-85 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012
(in millions of Russian Roubles)

	Notes	31 December 2012	31 December 2011
ASSETS			
Cash and balances with the Central and National banks	18	56,967	56,841
Financial assets at fair value through profit or loss	19, 35	33,796	21,049
Due from banks	20, 35	55,448	42,300
Loans to customers	22, 35	565,083	542,782
Investments available-for-sale	23, 35	43,298	40,875
Property and equipment	24	25,220	24,675
Current income tax assets		384	1,047
Deferred income tax assets	16	4,937	4,477
Other assets	25, 35	13,247	11,465
Total assets		**798,380**	**745,511**
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	26, 35	12,354	7,628
Due to the Central Bank of the Russian Federation	27	30,080	12,007
Due to banks	28, 35	171,087	160,718
Customer accounts	29, 35	327,431	359,404
Debt securities issued	30	90,126	62,317
Other provisions	9	306	342
Current income tax liabilities		979	154
Deferred income tax liabilities	16	4,038	2,487
Other liabilities	31, 35	11,798	8,025
Subordinated debt	32, 35	31,456	27,788
Total liabilities		**679,655**	**640,870**
EQUITY:			
Equity attributable to owners of the parent:			
Share capital	33	17,587	17,587
Share premium	33	59,707	59,707
Cumulative translation reserve		904	958
Property and equipment revaluation reserve		8,101	8,101
Investments available-for-sale fair value reserve		5,880	225
Cash flow hedge		(188)	(477)
Retained earnings		26,734	18,540
Total equity attributable to equity holders of the parent		118,725	104,641
Total equity		**118,725**	**104,641**
TOTAL LIABILITIES AND EQUITY		**798,380**	**745,511**

On behalf of the Board:

Chairman of the Management Board

15 April 2013
Moscow

АКЦИОНЕРНЫЙ КОММЕРЧЕСКИЙ БАНК "РОСБАНК" ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МОСКВА

Chief Financial Officer

15 April 2013
Moscow

The notes on pages 9-85 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(in millions of Russian Roubles)

	Share capital	Share premium	Treasury shares	Cumulative translation reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Reorganiza-tion reserve	Cash flow hedge	Retained earnings/ (accumu-lated deficit)	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
31 December 2010	**14,511**	**64,108**	-	**744**	**6,294**	**315**	**-**	**-**	**(2,058)**	**83,914**	**645**	**84,559**
Net profit for the year	-	-	-	-	-	-	-	-	8,426	8,426	94	8,520
Other comprehensive income for the year	-	-	-	125	1,807	(182)		(477)	-	1,273	-	1,273
Total comprehensive income for the year	**-**	**-**	**-**	**125**	**1,807**	**(182)**	**-**	**(477)**	**8,426**	**9,699**	**94**	**9,793**
Transfer to cover previous years' losses	-	(4,401)	-	-	-	-	-	-	4,401	-	-	-
Hyperinflation effect on Belrosbank	-	-	-	89	-	-	-	-	(414)	(325)	-	(325)
Acquisition of DeltaCredit, Rusfinance Bank and Rusfinance LLC	-	-	-	-	-	-	-	-	(3,146)	(3,146)	-	(3,146)
Merger with BSGV	3,076	-	-	-	-	92	-	-	10,619	13,787	-	13,787
Purchase of shares in RB leasing	-	-	-	-	-	-	-	-	712	712	(739)	(27)
31 December 2011	**17,587**	**59,707**	**-**	**958**	**8,101**	**225**	-	**(477)**	**18,540**	**104,641**	-	**104,641**
Net profit for the year	-	-	-	-	-	-	-	-	8,188	8,188	-	8,188
Other comprehensive income for the year	-	-	-	(54)	-	5,655	-	289	-	5,890	-	5,890
Total comprehensive income for the year	**-**	**-**	**-**	**(54)**	**-**	**5,655**	**-**	**289**	**8,188**	**14,078**	**-**	**14,078**
Hyperinflation effect on Belrosbank	-	-	-	-	-	-	-	-	122	122	-	122
Difference arising on derecognition of subordinated loan of Deltacredit	-	-	-	-	-	-	-	-	(116)	(116)	-	(116)
31 December 2012	**17,587**	**59,707**	**-**	**904**	**8,101**	**5,880**	-	**(188)**	**26,734**	**118,725**	**-**	**118,725**

On behalf of the Board:

Chairman of the Management Board | **Chief Financial Officer**

15 April 2013 | 15 April 2013

Moscow | Moscow

Открытое акционерное общество
Акционерный коммерческий банк
"РОСБАНК"
Москва

The notes on pages 9-85 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		11,499	10,939
Adjustments for:			
Provision for impairment losses on interest bearing assets		7,697	5,400
Other provisions		990	1,504
Net loss/(gain) from property and equipment disposal		137	(14)
Net realized gain from disposal of investments available-for-sale		(240)	-
Net loss from disposal of subsidiaries		244	-
Net foreign currency and precious metals revaluation loss		210	293
Depreciation charge on property and equipment		1,889	1,285
Net change in interest and other accruals		(494)	(3,009)
Net change in value of derivatives and spot deals		3,430	(6)
Net unrealized (gain)/loss on financial assets at fair value through profit or loss		(117)	176
Impairment of property and equipment		55	104
Cash flow from operating activities before changes in operating assets and liabilities		25,300	16,672
Changes in operating assets and liabilities			
Decrease in operating assets:			
Minimum reserve deposit with the Central and National Banks		545	1,409
Financial assets at fair value through profit or loss		(15,000)	(255)
Due from banks		7,898	20,836
Loans to customers		(42,505)	(42,150)
Other assets		269	1,518
Increase in operating liabilities:			
Financial liabilities at fair value through profit or loss		289	(321)
Due to the Central Bank of the Russian Federation		18,029	12,000
Due to banks		12,302	(22,096)
Customer accounts		(22,315)	(6,343)
Promissory notes issued in the normal course of business		(8,017)	6,977
Other provisions		(270)	-
Other liabilities		4,037	798
Cash outflow from operating activities before taxation		(19,438)	(10,955)
Income tax paid		(2,102)	(1,965)
Net cash outflow from operating activities		(21,540)	(12,920)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment		(3,410)	(1,783)
Proceeds on sale of property and equipment		320	86
Net cash outflow on Group's reorganization/acquisition of subsidiaries	6	-	(19,952)
Proceeds from sale of subsidiaries net of cash disposed	7	(13)	-
Proceeds from sale/redemption of investments available-for-sale		4,022	19,706
Purchase of investments available-for-sale		(2)	(20,085)
Net cash inflow/(outflow) from investing activities		917	(22,028)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)
(in millions of Russian Roubles)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of bonds issued by the Group		(2,913)	(5,647)
Issue of bonds		38,303	23,499
Proceeds from subordinated debt		4,661	-
Net cash inflow from financing activities		40,051	17,852
Effect of exchange rate changes on cash and cash equivalents		(1,187)	1,950
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18,241	(15,146)
CASH AND CASH EQUIVALENTS, beginning of the period	18	75,511	90,657
CASH AND CASH EQUIVALENTS, end of the period	18	93,752	75,511

Interest paid and received by the Group during the year ended 31 December 2012 amounted to RUB 31,936 million and RUB 77,304 million, respectively.

Interest paid and received by the Group during the year ended 31 December 2011 amounted to RUB 27,930 million and RUB 68,928 million, respectively.

On behalf of the Board:

Chairman of the Management Board

15 April 2013
Moscow

Chief Financial Officer

15 April 2013
Moscow

The notes on pages 9-85 form an integral part of these consolidated financial statements.

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies will keep acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks Rosbank and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 11, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 December 2012 and 2011 ROSBANK had 14 and 41 branches in the Russian Federation, respectively. During 2012 the Group launched optimization process targeting merger of branches into larger units.

ROSBANK is the parent company of a banking group (the "Group") which consists of the following enterprises as of 31 December 2012 and 2011:

Name	Country of incorporation	Group's ownership interest/voting rights, % 31 December 2012	31 December 2011	Type of operations
Delta Credit Bank CJSC	Russia	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	Issue of loans to individuals
Stolichny Express LLC	Russia	100/100	100/100	Recovery of bad debts
Red and Black Prime Russia MBS No.1 Limited LLC	Ireland	0/100	0/100	Issue of notes
BSGV Leasing LLC	Russia	100/100	100/100	Leasing
RB Factoring LLC	Russia	100/100	100/100	Recovery of bad debts
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	Banking
Rosbank International Finance BV	The Netherlands	100/100	100/100	Issue of Eurobonds
RosInvest SA	Luxembourg	99.97/99.97	99.97/99.97	Reorganization of UNEXIM Finance Company
Belrosbank	Belarus	Sold	99.99/99.99	Banking
ROSBANK-VOLGA CJSC	Russia	Sold	100/100	Banking
Rosbank Debt Center CJSC (previous name – "RB Finance CJSC")	Russia	0/100	100/100	Recovery of bad debts
Processing Company NICKEL LLC	Russia	100/100	100/100	Processing of card operations
RB LEASING LLC	Russia	100/100	100/100	Leasing
INKAHRAN OJSC	Russia	100/100	100/100	Cash collection services
ORS OJSC	Russia	100/100	100/100	Processing
Kapital i zdanie OJSC	Russia	100/100	100/100	Real estate operations
Art Heiser LLC	Russia	100/100	100/100	Real estate operations
Petrovsky Dom-XXI vek LLC	Russia	100/100	100/100	Real estate operations
TOR-Service CJSC	Russia	100/100	100/100	Buildings administration
PMD Service LLC	Russia	100/100	100/100	Lease services
TD Druzhba LLC	Russia	100/100	100/100	Other services
AVTO LLC	Russia	100/100	100/100	Transportation services
RB Securities LLC	Russia	100/100	100/100	Operations with securities
Inkahran Service LLC	Russia	99.60/100	99.60/100	Transportation services
Real Profit LLC	Russia	Liquidated	100/100	Real estate operations
AVD LLC	Russia	Sold	100/100	Recovery of bad debts
Sirius LLC (previous name – AVD Khabarovsk LLC)	Russia	Sold	25/100	Recovery of bad debts
AVD Arkhangelsk LLC	Russia	Sold	25/100	Recovery of bad debts
AVD Blagoveshensk LLC	Russia	Sold	25/100	Recovery of bad debts
Voshod LLC (previous name – AVD Ekaterinburg LLC)	Russia	Sold	25/100	Recovery of bad debts
Kristall LLC (previous name – AVD Yakutsk LLC)	Russia	Sold	25/100	Recovery of bad debts

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. The liquidation process is subject to authorisation by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

The Group is not expecting any significant impact in terms of statement of comprehensive income in its consolidated statements coming from this liquidation process.

The Group does not consider that Rosbank (Switzerland) SA represents a separate major line of business or geographical area of operations due to materiality considerations and the historical links with the Rosbank Group's customership.

In 2012 ROSBANK also disposed of its ownership interest in Rosbank Debt Center CJSC of 100% but retained its control over the entity.

During 2012 ROSBANK also disposed of its ownership interest in ROSBANK-VOLGA, Belrosbank and AVD LLC (with subsidiaries). Operations of Real Profit LLC were closed and the company liquidated.

As of 31 December 2012 and 2011, the following shareholders owned the issued shares of ROSBANK:

Shareholder	**31 December 2012** %	**31 December 2011** %
Societe Generale S.A.	82.40	82.40
CRINIUM BAY HOLDINGS LIMITED	8.90	8.90
PHARANCO HOLDINGS CO. LIMITED	7.03	5.29
VTB Capital CJSC	0.86	0.17
ICFI (Cyprus) Limited	-	1.11
Others	0.81	2.13
Total	**100.00**	**100.00**

As of 31 December 2012 and 2011, the ultimate controlling parties of the Group are:

Shareholder	**31 December 2012 %**	**31 December 2011 %**
Societe Generale S.A.	82.40	82.40
VTB OJSC	10.00	9.95
Mr. Potanin V. O.	7.03	6.40
Others	0.57	1.26
Total	**100.00**	**100.00**

These consolidated financial statements were authorised for issue on 15 April 2013 by the Board of Directors of ROSBANK.

2. Going concern

These consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

The 2012 year continued the positive post crisis trend recorded in 2011. Major macroeconomic indicators were improved with a positive impact on the financial sector. As reported by the Central Bank, the total assets of the banking sector increased by approximately 19% in 2012 funded by additional inflows on customer deposits. Lending activity showed a steady growth with +39% growth in retail loans and +13% growth in corporate loans outstanding. The quality of loan portfolios improved as well.

The process of consolidation of Group assets, which was successfully completed in 2011, started to show its synergetic results in 2012. As of 31 December 2012 the Group belongs to the Top 10 Russian banks both in terms of capital, of total assets and of loan portfolio (based on published financial statements prepared in accordance with Russian Accounting Standards as of 31 December 2012). The unified Rosbank Group is unquestionable leader on the market of retail loans among private owned banks and is number 2 among all Russian banks.

During 2012 further restructurization of Rosbank Group was undertaken. The Group disposed of several subsidiaries to concentrate on banking business in Russia, thus simplifying its structure and decreasing exposure to risks in other (more risky) business or geographical segments. The Group will continue its growth pattern thanks to such competitive advantages as strong brand name, extensive network coverage, wide spectrum of services and products for diverse segments of clientele, highly professional team and very strong financial profile. In 2012 the Group achieved good results similar to those of 2011 in terms of profitability and capital adequacy.

Another important area for continued development is that of risk management, covering all major risk areas. The Management of the Group has set the tasks of improving the loan portfolio quality, collateral quality and increasing its share of secured loans. The Group is also working on the restructuring of loans to customers for the purpose of optimization of financial burden and settlement schedules for its borrowers. Different collection approaches are being implemented to reinforce the efficiency of recovery procedures of the loan portfolio. The Group has taken steps to decrease the amount of bad debts with a modification of its strategy concerning corporate loan portfolio by focusing on less risky clients in sectors less exposed to the crisis.

To maintain liquidity, the Group has put an accent on retail deposit products: package offers were implemented for individual clients, several deposit products were simplified and differentiation was made by client segments. To raise the effectiveness of customer relationship the Group has implemented a client relationship management function. When managing its liquidity risk the Group could use as a reserve the limit for unsecured credit line opened for ROSBANK by the Central Bank of the Russian Federation. An additional measure to maintain liquidity is the attraction of funds through future bond issues.

3. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in millions of Russian Roubles (“mRUB”), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 “Property, plant and equipment” (“IAS 16”) and the application of IAS 29 “Financial reporting in hyperinflationary economies” to Belrosbank’s non monetary assets, liabilities and profit and loss items. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 40.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary of the economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentational currency of the consolidated financial statements of the Group is the RUB. All values are rounded to the nearest thousand Roubles, except when otherwise indicated.

Offset of financial assets and liabilities

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 recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

4. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of ROSBANK and entities controlled by ROSBANK (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), in particular, performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated statement of comprehensive income.

The results and financial position of subsidiary bank in Belarus (sold in year 2012) which economy is considered as hyperinflationary are translated into the presentation currency using the same methodology as for other subsidiaries except for the following:

- Assets and liabilities of the statement of financial position as of 31 December 2011 are restated according to IAS 29 and IAS 22 and translated at the applicable closing rate for the year.
- Income and expenses for the statement of comprehensive income for the year ended 31 December 2012 and 2011 are translated at closing rates.

Business combinations involving entities or businesses under common control

For the purpose of accounting of business combinations involving entities or businesses under common control (excluded from the scope of IFRS 3 'Business combinations") the Group considers pooling of interest as the most appropriate method to be used. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

The pooling of interest method assumed the following rules:

- Assets and liabilities of the combined entities are stated at their net book value;
- No new goodwill is recorded as a result of the business combination, but is adjusted against equity;
- The income statement is drawn up from the date of the business combination;
- Comparative data is not restated.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Bank had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Recognition of income and expense

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the income statement based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of income – other

Recognition of fee and commission income

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Recognition of rental income

The Bank's policy for recognition of income as a lessor is set out in the "leases" section of this footnote.

Recognition of trustee (fiduciary) services income

Income is recognized as services are provided.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets at fair value through profit or loss. The fair value adjustment on financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income for the period. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the ‘other gains and losses’ and ‘interest income’ line item, respectively, in the statement of profit or loss. The Group does not reclassify financial instruments in or out of this category while they are held (except the cases of reclassification in accordance with amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial instruments: Disclosure”).

The Group enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency, precious metals and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

Financial derivatives and hedge accounting

All financial derivatives are recognized at fair value in the consolidated statement of financial position as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash flow hedges (see below), are recognized in the consolidated statement of comprehensive income for the period.

Financial derivatives are divided into two categories:

- Trading financial derivatives.

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the consolidated statement of financial position under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the consolidated statement of comprehensive income under *Net gains and losses on financial instruments at fair value through profit or loss.*

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognized at fair value in the consolidated statement of financial position. Any further impairment on these receivables is recognized under *Provision for impairment losses* in the consolidated statement of comprehensive income.

- Derivative hedging instruments.

To designate an instrument as a derivative hedging instrument, the Group must document the hedging relationship at the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure its effectiveness. The derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the consolidated statement of financial position under *Hedging instruments*.

Depending on the risk hedged, the Group designates the derivative as a fair value hedge, or a cash flow hedge.

Fair value hedge

In a fair value hedge, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported under *Net gains and losses on financial instruments at fair value through profit or loss.* As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. As regards interest rate derivatives, accrued interest income or expenses are booked in the consolidated statement of comprehensive income *under Interest income and expense – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under hedge accounting are amortised over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity or redeemed early.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the consolidated statement of comprehensive income under *Net gains and losses on financial instruments at fair value through profit or loss.*

Amounts directly recognized in equity under the cash flow hedge accounting are reclassified in *Interest income and expenses* in the consolidated statement of comprehensive income at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the consolidated statement of comprehensive income under *Interest income and expenses – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognized directly in equity are reclassified under *Interest income and expenses* in the consolidated statement of comprehensive income over the periods where the interest margin is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the forecast transaction hedged ceases to be highly probable, unrealized gains and losses booked to equity are immediately reclassified in the consolidated statement of comprehensive income.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the Central Bank of the Russian Federation, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of comprehensive income according to nature of the losses.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks/loans to customers.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated statement of comprehensive income.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation ("RF") and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss i recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater compared to recorded impairment.

Renegotiated loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of comprehensive income in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial liabilities at fair value through profit or loss. The fair value adjustment on financial liabilities at fair value through profit or loss is recognized in the consolidated statement of comprehensive income for the period. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss.

Other financial liabilities

Other financial liabilities (including depository instruments with the Central Bank of the Russian Federation, deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and term deposit accounts with the central banks and advances to banks with original maturity within 90 days, which are free from contractual encumbrances.

Minimum reserve deposits with the Central Bank of the Russian Federation

Minimum reserve deposits with the Central Bank of the Russian Federation represent the amount of obligatory reserves deposited with the Central Bank of the Russian Federation in accordance with requirements established by the Central Bank of the Russian Federation, which subject to restrictions on their availability. In view of the above the amount of the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Property and equipment

Property and equipment, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property and equipment and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Market value of property is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Depreciation on revalued buildings is charged to the consolidated statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings	2%
Equipment	20%
Others	Over useful life of 3-10 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net loss on operations with precious metals operations.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group’s activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

Share capital, share premium and treasury shares

Contributions to share capital made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares are deducted directly from the Group's equity.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation and other countries, which require current contributions by the Group calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by state pension fund. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Share based payments

For cash settled share based payments (compensation indexed on Societe Generale shares), the fair value of the amounts payable is booked to Operational expenses as an expense over the vesting period against a corresponding liability entry booked in the balance sheet under Other liabilities. This payables item is then remeasured at fair value against income until settled. For hedging derivatives, the effective portion of the change in their fair value is booked through profit or loss.

In November 2010, Rosbank Group adopted a share equivalent plan (the "Share Plan"), granting 40 Societe Generale Performance Shares equivalent ("the Performance Shares") to employees of Rosbank Group, subject to conditions of presence and performance. The purpose of the Share Plan is to offer to Rosbank Group employees a cash bonus payable in local currency equal in value to the performance shares received by employees of Societe Generale Group in other countries through its similar Share Plan launched at the same date. The beneficiaries are all employees and executive corporate officers who are part of Rosbank Group as of the date the Share Plan is adopted. The vesting conditions are as follows:

1. Vesting period:

   (a) For the first tranche, concerning 16 Performance Shares equivalent, the vesting period will expire on 31 March 2015;

   (b) For the second tranche, concerning 24 Performance Shares equivalent, the vesting period will expire on 31 March 2016.

2. Vesting conditions:

The effective vesting of Performance Shares is subject to a continued employment condition as well as to performance conditions. The satisfaction of the continued employment and performance conditions will be reviewed and officially acknowledged at the end of each of the vesting periods.

The fair value of the payable amount is booked as operating expenses over the vesting period against a corresponding liability booked under other liabilities. As of 31 December 2012 and 2011, the total carrying amount of the corresponding liabilities amounted to RUB 254 million and RUB 103 million, respectively.

Accounting for the effects of hyperinflation

Russia

In accordance with IAS 29, economy of the Russian Federation was treated as hyperinflationary till the end of 2002. Since January 1, 2003 economy of the Russian Federation ceased to be hyperinflationary, and the costs of non-monetary assets, liabilities and equity, calculated as at 31 December 2002, were used to form the beginning balances as at January 1, 2003.

Belarus

During 2012 and 2011 the functional currency of one foreign operation located in Belarus (Belrosbank), was considered to be the currency of hyperinflationary economy, with the first period of application starting from 1 January 2011. The economic environment in Belarus has deteriorated significantly since the second quarter of 2011, the cumulative inflation in the last three years exceeds 100%.

The restatement was made using the Consumer Price Index (“CPI”), published by the Ministry of Statistics and Analysis of the Republic of Belarus. The change of rates of the Consumer Price Index for the five year period ended 30 November 2012 (the date of Belrosbank disposal) was as follows:

Year	% change
2008	13.3%
2009	10.1%
2010	9.9%
2011	108.7%
2012	118.1%

The restatement to reflect the effects of hyperinflation was performed as follows:

- Monetary items are not restated.
- Assets and liabilities linked by agreement to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. These items are carried at this adjusted amount in the restated statement of financial position.
- Non-monetary items carried at cost or cost less depreciation are restated by applying to its historical cost and accumulated depreciation the change in general price index from the date of acquisition to the end of the reporting period.
- Non-monetary items carried at revalued amounts are restated from the date of the revaluation.
- The restated amount of a non-monetary item is reduced to its recoverable amount, when it is applicable.
- At the beginning of the first period of application (1 January 2011) the equity components, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.

- At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.
- The gain or loss on the net monetary position is included in profit or loss.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see above for hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, whose functional currency is not the currency of hyperinflationary economy, are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

All amounts (assets, liabilities, equity items, income and expenses) of foreign operations whose functional currency is the currency of a hyperinflationary economy (see above) are translated in RUB at the closing rate at the reporting date. Comparative amounts in RUB are those that were presented as current year amounts in the relevant prior year financial statements.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the consolidated financial report are as follows:

	31 December 2012	**31 December 2011**
RUB/1 US Dollar	30.3727	32.1961
RUB/1 Euro	40.2286	41.6714
RUB/Gold (1 ounce)	50,540.17	50,692.76
RUB/Platinum (1 ounce)	46,257.62	44,462.81
RUB/Palladium (1 ounce)	21,230.52	20,476.72
RUB/Silver (1 ounce)	909.66	907.29

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

- *'Available-for-sale reserve' which comprises changes in fair value of available-for-sale investments;*
- *'Cash flow hedge reserve' which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge;*
- *'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;*
- *'Revaluation reserve' which comprises effect of revaluation of property and equipment.*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies the Group management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group’s loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group’s estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management’s judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in RF and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2012 and 2011 the gross amount of loans to customers totalled RUB 627,868 million and RUB 606,368 million, respectively, and allowance for impairment losses amounted to RUB 62,785 million and RUB 63,586 million, respectively.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income.

Property and equipment carried at revalued amounts

Certain buildings are measured at revalued amounts. The date of the latest appraisal was 31 December 2011. The next revaluation is preliminary scheduled as of 31 December 2013. The carrying value of revalued property amounted to RUB 20,131 million and RUB 11,431 million as at 31 December 2012 and 2011, respectively.

Recoverability of deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to RUB 4,937 million and RUB 4,477 million as at 31 December 2012 and 2011, respectively.

Cash flow hedge

The net fair value of cash flow hedge included as part of derivative financial liabilities as of 31 December 2012 and 2011 amounted to RUB 336 million and RUB 625 million, respectively.

5. Application of new and revised International Financial Reporting Stardards (IFRS)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[3];
- IFRS 10 *Consolidated Financial Statements*[2];
- IFRS 11 *Joint Arrangements*[2];
- IFRS 12 *Disclosure of Interest in Other Entities*[2];
- IFRS 13 *Fair Value Measurement*[1];
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – "Disclosures – Offsetting Financial Assets and Financial Liabilities"[1];
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures – "*Mandatory Effective Date of IFRS 9 and Transition Disclosures"[3]*;*
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interest in Other Entities* – "Consolidated Financial statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance"[1]*;*
- IAS 19 (as revised in 2011) *Employee Benefits*[1];
- IAS 27 (as revised in 2011) *Separate Financial Statements*[2];
- IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*[2];
- Amendments to IAS 32 *Financial Instruments: Presentation* – "Offsetting Financial Assets and Financial Liabilities"[4];
- Amendments to IFRSs – *Annual Improvements to IFRSs 2009-2011 cycle except for the amendment to IAS 1 (see below)*[1].

[1] Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

[2] Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

[3] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012) introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1 Presentation of Items of Other Comprehensive Income, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'.

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The Group expects the amended standard to change presentation of its consolidated financial statements, but have no impact on measurement of transactions and balances.

Amendments to IAS 1 *Presentation of Financial Statements*
(as part of the Annual improvements to IFRSs 2009-2011 Cycle issued in May 2012)

IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2013) requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 Presentation of Financial Statements clarity that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. The Group expects the amended standard to change presentation of its consolidated financial statements, but have no impact on measurement of transactions and balances.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments*, issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9 *Financial Instruments*, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 *Financial Instruments* requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Group management anticipates that IFRS 9 *Financial Instruments* in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 *Financial Instruments* until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interest in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

Key requirements of these five Standards are described below.

IFRS 10 *Consolidated Financial Statements* replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10 Consolidated Financial Statements. Under IFRS 10 Consolidated Financial Statements, there is only one basis for consolidation, that is, control. In addition, IFRS 10 Consolidated Financial Statements includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 Consolidated Financial Statements to deal with complex scenarios.

IFRS 11 Joint Arrangements replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 *Joint Arrangements* deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11 *Joint Arrangements*. Under IFRS 11 *Joint Arrangements*, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures under IFRS 11 *Joint Arrangements* are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 *Interests in Joint Ventures* can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interest in Other Entities* were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

The Group management does not anticipate that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 *Fair Value Measurement* is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 *Fair Value Measurement* are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 *Fair Value Measurement* to cover all assets and liabilities within its scope.

The Group management anticipates that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – "Offsetting Financial Assets and Financial Liabilities and the related disclosures"

The amendments to IAS 32 *Financial Instruments: Presentation* clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 *Financial Instruments: Disclosures* require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The disclosures should be provided retrospectively for all comparative periods.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 *Employee Benefits* (effective for periods beginning on of after 1 January 2013) change the accounting for defined benefit plans and termination benefits and a definition of short-term benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur< and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 *Employee Benefits* and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 *Employee Benefits* are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 *Employee Benefits* require retrospective application. The Group management does not anticipate that the revision of IAS 19 *Employee Benefits* will have a significant effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009-2011 Cycle* include a number of amendments to various IFRSs. Amendments to IFRSs include:

Amendments to IAS 32 *Financial Instruments: Presentation*

The amendments to IAS 32 *Financial Instruments: Presentation* clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management does not anticipate that the amendments to IAS 32 *Financial Instruments: Presentation* will have a significant effect on the Group's consolidated financial statements.

6. Business reorganization

During 2011, as part of the global plan for consolidation of Russian entities owned by the Group Societe Generale, a number of business combinations took place as follows:

- In January 2011 Rosbank Group acquired 100% ownership in DeltaCredit (mortgage lending) and Rusfinance Group (consumer lending).
- In July 2011 Rosbank Group merged with BSGV Group, as a result BSGV was liquidated as a legal entity right after the merger, while its assets and liabilities were integrated in Rosbank Group's business and processes. At the date of the legal merger an additional issue of share capital was registered.

Both the merger and the acquisitions represent a combination of entities under common control which are specifically excluded from the scope of IFRS 3 [IFRS 3.2(c)]. The most appropriate method for accounting for such combinations was considered to be the pooling of interest method.

Effects from the above mentioned transactions as presented in the statement of changes in equity are detailed below:

(in millions of Russian Roubles)	**As of 17 January 2011 Delta Credit Bank CJS**	**As of 17 January 2011 Rusfinance Bank LLC**	**As of 17 January 2011 Rusfinance LLC**	**As of 1 July 2011 BSGV**
Cash and cash equivalents	2,180	3,492	-	10,531
Mandatory cash balances with the Central bank of the Russian Federation	10	109	-	1,800
Financial assets at fair value through profit or loss	-	-	-	349
Due from banks	3,258	262	2,526	28,584
Loans to customers	50,189	77,745	1,667	94,881
Investments available-for-sale	53	-	-	5,517
Current income tax assets	-	-	184	119
Deferred income tax assets	-	362	177	190
Property and equipment	91	599	83	1,818
Other assets	286	254	369	1,474
Total assets	**56,067**	**82,823**	**5,006**	**145,263**
Financial liabilities at fair value through profit or loss	-	-	-	189
Due to banks	42,746	48,066	-	58,455
Customer accounts	532	5,723	240	66,485
Debt securities issued	2,088	8,061	-	112
Subordinated debt	1,250	-	-	4,932
Financial liabilities at fair value through profit and loss	180	59	-	-
Current income tax liabilities	-	188	-	12
Deferred income tax liability	91	-	6	24
Other provisions	-	-	-	144
Other liabilities	157	947	580	1,123
Total liabilities	**47,044**	**63,044**	**826**	**131,476**
Net assets	**9,023**	**19,779**	**4,180**	**13,787**
Share in net assets	100%	100%	100%	100%
Purchase consideration	10,344	20,009	5,775	-
Issue of additional shares of Rosbank	-	-	-	3,076
Difference	**(1,321)**	**(230)**	**(1,595)**	**10,711**
Retained earnings	(1,321)	(230)	(1,595)	10,619
Other comprehensive income	-	-	-	92
Total impact on equity	**(1,321)**	**(230)**	**(1,595)**	**10,711**

The financial statements of Delta Credit Bank CJSC above contain consolidated amounts of Delta Credit Bank CJSC and its special purpose entity Limited Liability Company 'Red and Black Prime Russia MBS No.1 Limited' (the 'SPE').

According to SIC 12, in the context of the SPE, control arose through the predetermination of the activities of the SPE (operating on "autopilot"). The Board of Directors of the SPE considered and resolved to enter into the transaction determined within the frames of the "autopilot" thereby placing contractual obligations on the SPE which it must adhere to or be in breach of its legal obligations. For this reason Management believes that the SPE must be consolidated, despite the fact the Group does not hold a majority of voting rights in the SPE.

The Group's mortgage portfolio includes the securitized mortgage loan pool. Management views that the majority of risks and rewards of ownership of the securitized loan pool have been retained by the Group. Accordingly the Group has not derecognized the securitized mortgage loan pool from its consolidated statement of financial position.

One of the acquired companies (BSGV) contributed to net profit of the Group from 1 July 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, the Group profit for the year would have been RUB 9,224 million, and net interest income would have been RUB 41,036 million.

7. Disposals of subsidiaries

In 2012 the Group disposed of 3 subsidiaries: ROSBANK-VOLGA CJSC on 19 September 2012, Belrosbank on 18 December 2012 and AVD LLC on 20 December 2012. Information on disposal results is presented below.

Consideration received

	Belrosbank	AVD	Volga	Year ended 31 December 2012
Consideration received in cash and cash equivalents	1,010	95	199	1,304
Total	**1,010**	**95**	**199**	**1,304**

Loss on disposal of subsidiaries

	Belrosbank	AVD	Volga	Year ended 31 December 2012
Consideration received	1,010	95	199	1,304
Net assets disposed of	(1,208)	(113)	(227)	(1,548)
Loss on disposal	**(198)**	**(18)**	**(28)**	**(244)**

The loss on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

Net cash inflow on disposal of subsidiaries

	Belrosbank	AVD	Volga	Year ended 31 December 2012
Consideration received in cash and cash equivalents	1,010	95	199	1,304
Less: cash and cash equivalent balances disposed of	(988)	(6)	(323)	(1,317)
Total	**22**	**89**	**(124)**	**(13)**

8. Net interest income

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Interest income comprises:		
Interest income on financial assets recorded at amortized cost	75,178	67,546
Interest income on financial assets recorded at fair value	3,792	3,594
Total interest income	**78,970**	**71,140**
Interest income on financial assets recorded at amortized cost comprises:		
- interest income on impaired financial assets	12,234	10,646
- interest income on unimpaired financial assets	62,944	56,900
Total interest income on financial assets recorded at amortized cost	**75,178**	**67,546**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to individuals	57,386	51,210
Interest on loans to corporate customers	16,528	15,391
Interest on due from banks	1,264	945
Total interest income on financial assets recorded at amortized cost	**75,178**	**67,546**
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for-sale	2,610	1,827
Interest income on financial asets at fair value through profit and loss	1,182	1,767
Total interest income on financial assets recorded at fair value	**3,792**	**3,594**
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	33,108	27,133
Total interest expense	**33,108**	**27,133**
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on deposits from banks	8,520	7,866
Interest on corporate customer accounts	8,349	6,552
Interest on deposits from individuals	6,015	7,850
Interest on debt securities issued	5,696	3,045
Interest on deposits of the Central Bank of the Russian Federation	2,503	41
Interest on subordinated debt	2,025	1,779
Total interest expense on financial liabilities recorded at amortized cost	**33,108**	**27,133**
Net interest income before provision for impairment losses on interest bearing assets	**45,862**	**44,007**

9. Allowance for impairment losses and other provisions

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Due from banks mRUB	Loans to customers mRUB	Total mRUB
31 December 2010	**9**	**51,304**	**51,313**
Allowances of subsidiaries acquired in 2011	-	23,116	23,116
Net allocations	-	5,400	5,400
Forex effect on provision revaluation	-	1,063	1,063
Sales and write-offs of loans	-	(17,297)	(17,297)
31 December 2011	**9**	**63,586**	**63,595**
Net allocations	-	8,108	8,108
Forex effect on provision revaluation	-	(1,107)	(1,107)
Sales and write-offs of loans	-	(7,954)	(7,954)
Accounting transfer	-	152	152
31 December 2012	**9**	**62,785**	**62,794**

As of 31 December 2012 and 2011 the amount of provision for impairment losses on interest bearing assets in consolidated statement of comprehensive income comprise:

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Net allocations	8,108	5,400
Recoveries of loans written off	(463)	-
Write offs not covered by provisions	52	-
Provision for impairment losses on interest bearing assets	**7,697**	**5,400**

The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
31 December 2010	**493**	**142**	**635**
Allowances of subsidiaries acquired in 2011	244	211	455
Provision	1,382	122	1,504
Write-offs	(314)	(133)	(447)
31 December 2011	**1,805**	**342**	**2,147**
Provision	756	234	990
Forex effect on provision revaluation	(13)	-	(13)
Write-offs	(22)	(270)	(292)
Accounting transfer	(152)	-	(152)
31 December 2012	**2,374**	**306**	**2,680**

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on guarantees and letters of credit is presented in liabilities.

10. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:		
Realized gain/(loss) on trading operations	216	(511)
Unrealized gain on fair value adjustment	117	135
Net loss on write off of defaulted securities	-	(311)
Net gain on operations with derivative financial instruments	46	6
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss	**379**	**(681)**

11. Net loss on foreign exchange operations

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Dealing, net	24	33
Translation differences, net	(127)	(109)
Total net loss on foreign exchange operations	**(103)**	**(76)**

12. Net gain/(loss) on precious metals operations

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Dealing, net	133	92
Translation differences, net	(83)	(184)
Total net gain/(loss) on precious metals operations	**50**	**(92)**

13. Fee and commission income and expense

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Fee and commission income:		
Settlements	3,164	2,233
Cash operations	3,115	3,038
Agency operations	2,496	1,931
Plastic cards operations	1,699	1,308
Depository and securities operations	696	362
Documentary operations	579	525
Foreign exchange operations	233	236
Other operations	296	202
Total fee and commission income	**12,278**	**9,835**

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Fee and commission expense:		
Plastic cards operations	777	568
Settlements	579	516
Cash operations	470	354
Documentary operations	192	116
Agency operations	175	56
Depository and securities operations	172	179
Foreign exchange operations	21	42
Other operations	137	177
Total fee and commission expense	**2,523**	**2,008**

14. Other income

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Rental income	371	357
Gain on disposal of property and equipment	4	14
Other	559	415
Total other income	**934**	**786**

15. Operating expenses

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Salary and bonuses	15,387	15,125
Unified social tax contribution	3,517	3,365
Operating lease expense	2,788	2,926
Repairs and maintenance expense	2,362	2,669
Depreciation charge on property and equipment	1,889	1,285
Communications and advertising	1,627	1,421
Taxes, other than income tax	1,504	1,389
Security	1,079	1,073
Other	6,757	5,372
Total operating expenses	**36,910**	**34,625**

During 2012 and 2011 the functional currency of one foreign operation located in Belarus (Belrosbank), was considered to be the currency of hyperinflationary economy, with the first period of application starting from 1 January 2011. The net loss from devaluation of net monetary position during 2012 and 2011 amounted to RUB 125 million and RUB 405 million, respectively. These amounts are included in “other” category.

16. Income tax

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2012 and 2011 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 December 2012.

Temporary differences as of 31 December 2012 and 2011 comprise:

	31 December 2012 mRUB	31 December 2011 mRUB
Deferred tax assets/(liabilities) in relation to:		
Due from banks and loans to customers	1,732	2,371
Other assets	787	513
Financial assets at fair value through profit or loss	467	(2)
Investments available-for-sale	(1,404)	(314)
Debt securities issued	(19)	(18)
Property and equipment	(2,104)	(2,616)
Other liabilities	1,440	1,090
Tax losses carried forward	-	966
Net deferred tax asset	**899**	**1,990**
Deferred tax asset not recognized	-	-
Net deferred tax asset	**899**	**1,990**

The amount of tax losses carried forward as of 31 December 2012 and 2011 relate to the following fiscal years:

	31 December 2012 mRUB	31 December 2011 mRUB
Year ended 31 December 2010	-	500
Year ended 31 December 2011	-	4,329
Year ended 31 December 2012	-	-
Deductible differences	**-**	**4,829**

Relationships between tax expenses and accounting profit for the years ended 31 December 2012 and 2011 are explained as follows:

	Year ended 31 December 2012 mRUB	Year ended 31 December 2011 mRUB
Profit before income tax	**11,743**	**10,939**
Tax at the statutory tax rate (20%)	2,349	2,188
Change in unrecognized deferred tax asset	-	(496)
Tax effect due to different tax rates	(152)	32
Tax effect of permanent differences	986	397
Tax effect on disposal of subsidiaries, included in loss on discontinued operations	(52)	298
Tax corrections	180	-
Income tax expense/(recovery)	**3,311**	**2,419**
Current income tax expense	3,582	2,049
Deferred tax (benefit)/expense	(271)	370
Income tax expense/(recovery)	**3,311**	**2,419**
Deferred tax assets – beginning of the period	4,477	4,104
Deferred tax liabilities – beginning of the period	(2,487)	(1,946)
Changes in deferred income tax balances recognized in other comprehensive income and directly in equity	(1,414)	(406)
Deferred income tax liabilities/assets of subsidiaries sold/acquired	52	608
Change in deferred income tax balances recognized in consolidated profit or loss	271	(370)
Deferred tax assets – end of the period	4,937	4,477
Deferred tax liabilities – end of the period	(4,038)	(2,487)

17. Earnings per share attributable to equity holders of the parent

	Year ended 31 December 2012	Year ended 31 December 2011
Profit		
Net profit attributable to equity holders of the parent for the period (mRUB)	8,188	8,426
Weighted average number of ordinary shares		
For basic and diluted earnings per share	1,551,401,853	1,412,362,714
Earnings per share – basic and diluted (RUB)	**5.28**	**5.97**

18. Cash and balances with the Central and National banks

	31 December 2012 mRUB	31 December 2011 mRUB
Cash	23,035	20,584
Balances with the Central and National banks	33,932	36,257
Total cash and balances with the Central and National banks	**56,967**	**56,841**

As of 31 December 2012 the balances with the Central and National banks comprise balances with the Central Bank of the Russian Federation. As of 31 December 2011 the balances with the Central and National banks comprise balances with the Central Bank of the Russian Federation and National Bank of Belarus.

As of 31 December 2012 and 2011 included in the balances with the Central and National banks are RUB 5,791 million and RUB 6,366 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central and National banks. The Group is required to maintain the reserve balances with Central and National banks at all times.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2012 mRUB	31 December 2011 mRUB
Cash and balances with the Central and National banks	56,967	56,841
Due from banks with original maturity within 90 days	42,576	25,036
	99,543	81,877
Less minimum reserve deposits	(5,791)	(6,366)
Total cash and cash equivalents	**93,752**	**75,511**

19. Financial assets at fair value through profit or loss

	31 December 2012 mRUB	31 December 2011 mRUB
Debt securities	24,383	13,026
Derivative financial instruments (Note 21)	9,413	8,023
Total financial assets at fair value through profit or loss	**33,796**	**21,049**

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 December 2012		31 December 2011	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Promissory notes of Russian banks	3.7-11.9%	17,157	4.1-9.3%	9,282
Debt securities of Russian banks	5.1-14.3%	3,572	6.7-9.5%	872
Debt securities of the Russian Federation	7.4-8.2%	1,332	7.4-12.0%	150
Debt securities of Russian companies	7-9.8%	886	6.3-9.8%	1,173
Debt securities of local authorities	7.3-9.9%	856	7.5-14.0%	880
Promissory notes of Russian companies	9.7-11.9%	580	8.0-9.4%	669
		24,383		**13,026**

20. Due from banks

	31 December 2012 mRUB	31 December 2011 mRUB
Term deposits in banks	39,523	30,531
Demand deposits in banks	12,411	11,174
Loans under reverse repurchase agreements	3,523	604
	55,457	42,309
Less allowance for impairment losses	(9)	(9)
Total due from banks	**55,448**	**42,300**

Movements in allowances for impairment losses on due from banks for the years ended 31 December 2012 and 2011 are disclosed in Note 9.

As of 31 December 2011 the Group had loans and advances to one bank totalling RUB 17,277 million, which individually exceeded 10% of the Group’s equity. There were no such borrowers as of 31 December 2012.

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2012 and 2011 comprise:

	31 December 2012 mRUB		31 December 2011 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of central government of the Russian Federation	489	521	604	637
Bonds of Russian banks	1,273	1,454	-	-
Bonds of Russian companies	1,761	2,123	-	-
Total loans under reverse repurchase agreements	**3,523**	**4,098**	**604**	**637**

21. Derivative financial instruments

Derivative financial instruments comprise:

	Nominal value	31 December 2012 Net fair value mRUB		Nominal value	31 December 2011 Net fair value mRUB	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	146,852	1,091	(3,747)	30,370	379	(458)
Forwards	11,438	214	(46)	9,684	1,490	(270)
IRS/CIRS	159,294	7,684	(7,803)	90,782	6,152	(6,211)
Cash flow hedge	720	-	(336)	1,052	-	(625)
Foreign exchange options	66,568	361	(361)	-	-	-
Total foreign exchange contracts		**9,350**	**(12,293)**		**8,021**	**(7,564)**
Contracts on precious metals and commodities						
Forwards	3	-	-	1,345	1	(63)
Swaps	978	2	-	118	1	(1)
Commodities options	210	28	(28)	-	-	-
Commodities swaps	1,351	33	(33)	-	-	-
Total contracts on precious metals and commodities		**63**	**(61)**		**2**	**(64)**
Total		**9,413**	**(12,354)**		**8,023**	**(7,628)**

The Group's cash flow hedge is related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program for the total amount equivalent to 604,429 shares to be paid during 2015 and 2016 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

To hedge against the variability in the cash flows on financial liabilities due to the share price risk, the Group used forward contracts at a fixed price of EUR 42.1 per share. As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

As of 31 December 2012 and 2011 the fair value of the liability arising from the derivative financial instruments classified as hedging instruments is RUB 336 million and RUB 625 million, respectively.

For the year ended 31 December 2012 and 2011 the result from hedge ineffectiveness recognised in the net result on financial instruments at fair value through profit or loss was RUB nil and RUB nil, respectively.

As at 31 December 2012 and 2011, the aggregate amount of unrealised loss under the forward contracts deferred in the cash flow hedge reserve relating to the exposures amounted to RUB 188 million and RUB 477 million, respectively. It is being recycled to profit or loss over the periods up to March 2016.

22. Loans to customers

	31 December 2012 mRUB	**31 December 2011 mRUB**
Loans to legal entities	214,598	242,658
Loans to individuals	404,237	358,629
Net investments in finance lease	5,674	5,081
Loans under reverse repurchase agreements	3,359	-
	627,868	**606,368**
Less allowance for impairment losses	(62,785)	(63,586)
Total loans to customers	**565,083**	**542,782**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2012 and 2011 are disclosed in Note 9.

	31 December 2012 mRUB	**31 December 2011 mRUB**
Analysis by sector:		
Individuals	404,237	358,629
Manufacturing and engineering	44,761	36,991
Real estate and construction	40,978	50,255
Trade	38,884	37,525
Energy industry	26,880	31,866
Oil and gas	17,720	19,438
Finance	14,160	7,559
Transport	7,940	7,721
Defence industry	7,250	15,495
Metallurgy	7,228	18,562
Telecommunications & Information technology	6,771	7,671
Government	4,924	7,140
Precious metals and diamond extraction and manufacturing	1,494	2,777
Other	4,641	4,739
	627,868	**606,368**
Less allowance for impairment losses	(62,785)	(63,586)
Total loans to customers	**565,083**	**542,782**

As of 31 December 2011 mortgage loans in the amount of RUB 544 million were pledged as collateral for loan received by the Group from the European Bank for Reconstruction and Development (EBRD). As of 31 December 2012 there were no such loans.

As of 31 December 2012 and 2011 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

As at 31 December 2012 and 2011 included in loans to customers were loans in the amount of RUB 10,720 million and RUB 17,363 million, the terms of which have been renegotiated. Otherwise these loans would be past due or impaired.

During the years ended 31 December 2012 and 2011 the Group received non-financial assets as a repayment on loans. As at 31 December 2012 and 2011 such assets in the amount of RUB 4,261 million and RUB 5,393 million, respectively are included in other assets (Note 25).

Loans to individuals comprise the following products:

		31 December 2012	
	Gross amount mRUB	**Less allowance for impairment losses mRUB**	**Net amount mRUB**
Car loans	152,344	(14,299)	138,045
Mortgage loans	124,203	(1,043)	123,160
Consumer loans	74,791	(5,774)	69,017
Overdraft	17,335	(2,039)	15,296
Express-loans	30,016	(7,023)	22,993
Loans to VIP clients and employees	5,548	(1,622)	3,926
	404,237	**(31,800)**	**372,437**

		31 December 2011	
	Gross amount mRUB	**Less allowance for impairment losses mRUB**	**Net amount mRUB**
Car loans	146,288	(16,299)	129,989
Mortgage loans	108,500	(1,951)	106,549
Consumer loans	51,802	(8,046)	43,756
Express-loans	32,507	(5,507)	27,000
Overdraft	12,842	(875)	11,967
Loans to VIP clients and employees	6,690	(1,576)	5,114
	358,629	**(34,254)**	**324,375**

The table below summarizes an analysis of loans to customers by impairment:

	31 December 2012 mRUB			31 December 2011 mRUB		
	Original carrying amount	Impair-ment allowance	Revised carrying amount	Original carrying amount	Impair-ment allowance	Revised carrying amount
Loans to customers individually determined to be impaired	48,208	(29,424)	18,784	73,715	(26,041)	47,674
Loans to customers individually determined to be unimpaired	175,424	-	175,424	160,907	-	160,907
Loans to customers collectively assessed for impairment, including:						
-loans assessed to be impaired	37,238	(33,361)	3,877	47,497	(37,545)	9,952
-loans assessed to be unimpaired	366,998	-	366,998	324,249	-	324,249
Total	**627,868**	**(62,785)**	**565,083**	**606,368**	**(63,586)**	**542,782**

As at 31 December 2012 and 2011 loans that were individually determined to be impaired were collateralized by the pledge of real estate, equipment, inventories, promissory notes and secured by guarantees for the total amount of RUB 32,288 million and RUB 41,308 million, respectively.

The components of net investment in finance lease as of 31 December 2012 and 2011 are as follows:

	31 December 2012 mRUB	31 December 2011 mRUB
Not later than one year	2,698	2,546
Later than 1 year and not later than 5 years	5,021	4,114
Minimum lease payments	7,719	6,660
Less: unearned finance income	(2,045)	(1,579)
Net investment in finance lease	**5,674**	**5,081**
Current portion	1,893	1,972
Long-term portion	3,781	3,109
Net investment in finance lease	**5,674**	**5,081**

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2012 comprise:

	31 December 2012 mRUB	
	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	2,937	3,475
Bonds of Russian banks	422	497
Total loans under reverse repurchase agreements	**3,359**	**3,972**

23. Investments available-for-sale

	31 December 2012 mRUB	31 December 2011 mRUB
Debt securities	38,363	39,594
Equity investments	4,935	1,281
Total investments available-for-sale	**43,298**	**40,875**

	31 December 2012		31 December 2011	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Bonds of central government of the Russian Federation	6.9-7.6%	23,394	6.9%	21,590
Eurobonds of central government of the Russian Federation	5-7.5%	13,513	5.0-7.5%	12,842
Bonds of Russian companies	7.5-9.3%	1,456	7.5-9.4%	5,162
		38,363		**39,594**

	31 December 2012 Amount mRUB	31 December 2011 Amount mRUB
Equity investments:		
Shares of professional participants of stock exchange	4,800	735
Shares and ADRs of Russian companies	132	545
Shares of international clearing companies	3	1
	4,935	**1,281**

During 2012 the Group revalued its share in MICEX using valuation derived from observable market data and prices in observed transactions involving comparable businesses, taking into account operational, market, financial and non-financial factors. The amount of revaluation was RUB 4,064 million.

As at 31 December 2012 and 2011 included in investments available-for-sale were securities pledged for due to the Central Bank of the Russian Federation in the amount of RUB 9,869 million and RUB 6,031 million (Note 27) and securities pledged for due to banks in the amount of RUB nil and RUB 1,152 million (Note 28), respectively.

24. Property and equipment

	Land and buildings mRUB	Equipment and other mRUB	Total mRUB
At cost/restated cost/revalued amount			
31 December 2010	9,283	12,591	21,874
Additions	101	1,682	1,783
Disposals	(33)	(180)	(213)
Revaluation	1,861	-	1,861
Acquisitions through reorganizations	323	4,359	4,682
31 December 2011	11,535	18,452	29,987
Additions	46	3,364	3,410
Disposals	(67)	(560)	(627)
Disposal of subsidiaries	(214)	(368)	(582)
Transfer	9,353	(9,353)	-
31 December 2012	20,653	11,535	32,188
Accumulated depreciation			
31 December 2010	205	2,165	2,370
Charge for the period	193	1,092	1,285
Disposals	-	(140)	(140)
Revaluation	(398)	-	(398)
Acquisitions through reorganizations	-	2,091	2,091
Impairment losses recognized in profit or loss	104	-	104
31 December 2011	104	5,208	5,312
Charge for the period	441	1,448	1,889
Disposals	(1)	(169)	(170)
Disposal of subsidiaries	(22)	(96)	(118)
Impairment losses recognized in profit or loss	-	55	55
31 December 2012	522	6,446	6,968
Net book value			
31 December 2012	**20,131**	**5,089**	**25,220**
31 December 2011	**11,431**	**13,244**	**24,675**

Equipment and other fixed assets as at 31 December 2011 included an office bulding of Domnikov business centre under construction contributed to the Bank's share capital during an additional issue of capital in 2010 (see Note 33). The value of this asset totals RUB 7,411 million. As at 31 December 2012 the construction works were completed and the office building was transferred to "Land and buildings" category in the amount of RUB 8,797 million.

As at 31 December 2012 and 2011 property and equipment included fully depreciated equipment amounting to RUB 2,106 million and RUB 1,895 million, respectively.

During 2012 the Group assessed the fixed assets for impairment and recorded impairment loss in the amount of RUB 55 million.

During 2011 the Group performed a regular valuation of its land and buildings and booked additional revaluation surplus of RUB 2,259 million and impairment loss of RUB 104 million. If buildings were stated at the historical cost, the amounts would be as follows:

	31 December 2012 mRUB	31 December 2011 mRUB
Cost	11,803	2,693
Accumulated depreciation	(602)	(402)
Net book value	**11,201**	**2,291**

As of 31 December 2012 the Group considers not necessary to revalue its land and buildings due to absence of indicators of significant change in their fair value.

25. Other assets

	31 December 2012 mRUB	31 December 2011 mRUB
Other financial assets:		
Miscellaneous receivables	1,148	715
Agency operations	422	558
Assets on spot deals	83	177
	1,653	1,450
Less allowance for impairment losses	(196)	(129)
Total other financial assets	1,457	1,321
Other non-financial assets:		
Non-current assets held for resale	8,358	5,393
Due from suppliers and other contractors	3,038	4,538
Taxes, other than income tax, recoverable	1,238	806
Precious metals	800	147
Other	534	936
	13,968	11,820
Less allowance for impairment losses	(2,178)	(1,676)
Total other non-financial assets	11,790	10,144
Total other assets	**13,247**	**11,465**

As at 31 December 2012 and 2011 miscellaneous receivables mainly consist of due from clients for banking services.

Movement of allowance for impairment losses on other assets for the years ended 31 December 2012 and 2011 is disclosed in Note 9.

Taxes recoverable are mainly represented by valued added taxes on leasing transactions.

As at 31 December 2012 and 2011 the non-current assets held for resale comprise:

	31 December 2012 mRUB	31 December 2011 mRUB
Vehicles purchased by the Group for further resale	4,097	-
Buildings	3,192	3,626
Land	508	1,575
Other	561	192
Total non-current assets held for resale	**8,358**	**5,393**

During 2012 a plot of land with book value of RUB 1,225 million was sold for consideration of RUB 1,233 million with the financial result of RUB 8 million.

The management of the Group believe that the carrying amount of non-current assets held for resale is less than their fair value.

26. Financial liabilities at fair value through profit or loss

	31 December 2012 mRUB	31 December 2011 mRUB
Derivative financial instruments	12,354	7,628
Total financial liabilities at fair value through profit or loss	**12,354**	**7,628**

Derivative financial instruments are disclosed in Note 21.

27. Due to the Central Bank of the Russian Federation

As of 31 December 2012 and 2011 due to the Central Bank of the Russian Federation consisted of the following:

	31 December 2012 mRUB	31 December 2011 mRUB
Term deposits	22,051	6,005
Loans under repurchase agreements	8,029	6,002
Total due to the Central Bank of the Russian Federation	**30,080**	**12,007**

As of 31 December 2012 and 2011 term deposits are secured with guarantees from Russian banks.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2012 and 2011 comprise (Note 23):

	31 December 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds of central government of the Russian Federation	8,029	9,869	6,002	6,031
Total	**8,029**	**9,869**	**6,002**	**6,031**

28. Due to banks

	31 December 2012 mRUB	31 December 2011 mRUB
Time deposits	150,243	145,946
Demand accounts	20,844	13,771
Loans under repurchase agreements	-	1,000
Total due to banks	**171,087**	**160,718**

As at 31 December 2011 included in due to banks are loans under repurchase agreements of RUB 1,000 million with maturity 1 month.

The Group is obligated to comply with financial covenants in relation to certain balances deposits by banks disclosed above. These covenants include various financial performance ratios. As of 31 December 2012 the Group has not breached any of these covenants. As of 31 December 2011 the Group has not breached any of these covenants except for the Economic Group Exposure Ratio required under the borrowing agreement with one of the International Financial Institutions, however this breach did not result in any accelerated repayments and hence no requirement to reclassify the loan to the category “demand and less than 1 month” in the Group’s liquidity position disclosure in the financial statements.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2011 are presented as follows (Note 23):

	31 December 2011	
	Carrying value of loans	Fair value of collateral
Bonds of central government of the Russian Federation	1,000	1,152
Total	**1,000**	**1,152**

As at 31 December 2012 and 2011 included in due to banks are RUB 88,231 million and RUB 48,312 million (52% and 30% of total balances due to banks), respectively, that were due to 2 banks, which represents a significant concentration.

One of the term facility received from International Financial Insitution is secured with a guarantee from Société Générale. The balance outstanding as of 31 December 2012 is at RUB 4,917 million (31 December 2011: RUB 3,195 million).

29. Customer accounts

	31 December 2012 mRUB	31 December 2011 mRUB
Corporate		
Time deposits	105,852	149,131
Repayable on demand	83,662	72,883
Total corporate	189,514	222,014
Individuals		
Time deposits	101,806	98,071
Repayable on demand	36,111	39,319
Total individuals	137,917	137,390
Total customer accounts	**327,431**	**359,404**

As of 31 December 2012 and 2011 customer accounts amounting to RUB 191 million and RUB 746 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2012 and 2011 customer accounts amounting to RUB 199 million and RUB 519 million, respectively, were held as security against guarantees issued (Note 34).

Analysis by economic sector/customer type:	**31 December 2012 mRUB**	**31 December 2011 mRUB**
Individuals	137,917	137,390
Finance	46,212	101,488
Services	30,054	6,177
Precious metals and diamond extraction and manufacturing	22,557	6,472
Metallurgy	22,038	13,119
Trade	13,589	15,194
Energy industry	12,976	8,629
Oil and gas	8,796	10,667
Manufacturing and engineering	8,128	11,223
Real estate and construction	7,656	10,414
Transport	3,174	4,546
Defence industry	2,322	2,113
Telecommunications & Information technology	1,990	2,275
Mass-Media	1,133	4,503
Government	214	18,590
Other	8,675	6,604
Total customer accounts	**327,431**	**359,404**

30. Debt securities issued

	Annual coupon rates %	**31 December 2012 mRUB**	**Annual coupon rates %**	**31 December 2011 mRUB**
Discount bearing promissory notes	0.00%-36.02%	9,616	0.0%-10.2%	15,468
Bonds of Rosbank due in 2015 (series BO-4)	9.3%	9,967	-	-
Bonds of Rosbank due in 2014 (series BO-3)	8.95%	9,919	9.0%	10,067
Bonds of Rosbank due in 2013 (series BO-2)	8%	5,642	8.0%	5,193
Bonds of Rosbank due in 2013 (series BO-1)	8.9%	4,309	7.4%	4,989
Bonds of Rosbank due in 2014 (series A5)	7.4%	4,996	7.4%	369
Bonds of Rosbank due in 2013 (series A3)	6.9%	4,904	6.9%	553
Bonds of Deltacredit bank due in 2016 (issue 6)	7.20%	5,040	7.2%	4,528
Bonds of Deltacredit bank due in 2017 (issue 9)	9.10%	5,007	-	-
Bonds of Deltacredit bank due in 2015 (issue 3)	9.25%	5,002	-	-
Bonds of Deltacredit bank due in 2016 (issue 8)	8.30%	4,139	8.3%	5,010
Bonds of Rusfinancebank due in 2015 (8B-11B)	7.9%-9.25%	8,130	7.7%-7.9%	8,213
Bonds of Rusfinancebank due in 2014 (BO-1)	7.15%	4,133	7.2%	3,894
Bonds of Rusfinancebank due in 2015 (BO-2)	8.75%	4,098	-	-
Bonds of Rusfinancebank due in 2015 (BO-3)	10.00%	4,051	-	-

	Annual coupon rates %	31 December 2012 mRUB	Annual coupon rates %	31 December 2011 mRUB
Mortgage backed floating rate notes	1.05%+1month libor - 3.35%+1month libor	1,153	1.05%+1 month libor – 3.35%+1 month libor	1,694
Interest bearing promissory notes	6%	13	0.5%-9.0%	1,125
Discount/interest free promissory notes	0.00%	7	-	-
Adjustable Rate Guaranteed Bonds due in 2012	-	-	10.1%	931
Bonds of Belrosbank	-	-	49.0%	200
Other instruments	-	-	0.0%	83
Total debt securities issued		**90,126**		**62,317**

31. Other liabilities

	31 December 2012 mRUB	31 December 2011 mRUB
Other financial liabilities:		
Accrued bonuses and salary	1,963	1,962
Suspense amounts	1,278	555
Unused vacations provision	936	1,045
Settlements on other operations	4,446	2,680
Total other financial liabilities	8,623	6,242
Other non-financial liabilities:		
Taxes, other than income tax, payable	798	295
Advances received from clients	566	296
Other	1,811	1,192
Total other non-financial liabilities	3,175	1,783
Total other liabilities	**11,798**	**8,025**

32. Subordinated debt

	Currency	Maturity year	Interest Rate %	31 December 2012 mRUB	31 December 2011 mRUB
Societe Generale S.A.	USD	2023	6.8	5,038	5,342
Societe Generale S.A.	USD	2022	8.38	4,713	-
Societe Generale S.A.	USD	2020 (initial maturity 2015)	9.3 (initial interest rate 7.9)	4,566	4,840
Societe Generale S.A.	RUB	2014	8.0	3,916	3,915
Societe Generale S.A.	USD	2023 (initial maturity 2015)	6.5 (initial interest rate 6.7)	3,801	4,031
Societe Generale S.A.	RUB	2017	8.0 (initial interest rate 8.5)	2,914	2,913
GENEBANQUE S.A.	USD	2022 (initial maturity 2014)	6.6 (initial interest rate 7.1)	2,482	2,632
Societe Generale S.A.	EUR	2020 (initial maturity 2014)	8.0 (initial interest rate 6.3)	2,012	2,085
Societe Generale S.A.	RUB	2016	11.3	1,262	1,278
Societe Generale S.A.	RUB	2017	8.52 (initial interest rate 8.0)	752	752
Total subordinated debt				**31,456**	**27,788**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

33. Share capital

As of 31 December 2012 and 2011 the nominal share capital issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote.

As of 31 December 2012 and 2011 share premium totalling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued. During 2011 based on the decision of the General Shareholders meeting a part of share premium in amount of RUB 4,401 million was transferred to retained earnings to cover for historical accumulated losses.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. As of 31 December 2012 and 2011 non-distributable reserves are represented by a general reserve fund, which is created as required by statutory regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with statuary regulations of individual entities that provide for the creation of a reserve for these purposes.

In 2010 Rosbank placed an additional issue of share capital. The overall number of shares issued totaled 497,368,958 shares, while the cost of each share was set at RUB 100.27. As a result, an amount equal RUB 49,871 million was attracted. This amount included RUB 42,460 million contributed with cash and RUB 7,411 million contributed by way of an office building under construction.

During 2011 an increase in share capital was registered in the amount of RUB 3,076 million representing 307.6 million shares as part of the merger process of Rosbank Group and BSGV Group. As a result the shares of BSGV Group were exchanged for newly issued shares of Rosbank Group at a conversion of 4,200 BSGV shares for 1 Rosbank share.

As at 31 December 2012 and 2011 the Bank's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized Share	Share capital authorized but not issued Share	Share capital repurchased Share	Share capital issued and paid in Share
Ordinary shares	1,846,461,466	295,059,613	-	1,551,401,853

34. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 December 2012 mRUB	31 December 2011 mRUB
Litigations and other provisions	306	339
Provision for losses on letters of credit and guarantees	-	3
Total other provisions	**306**	**342**

As of 31 December 2012 and 2011, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 191 million and RUB 746 million, respectively and guarantees issued covered by cash amounted to RUB 199 million and RUB 519 million, respectively.

The risk-weighted amount is obtained by applying a credit conversion factor and counterparty risk weightings according to principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2012 and 2011, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2012		31 December 2011	
	Nominal Amount mRUB	Risk weighted amount mRUB	Nominal Amount mRUB	Risk weighted amount mRUB
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	62,574	31,904	29,716	17,395
Letters of credit and other transaction related contingent obligations	2,294	528	4,489	1,415
Commitments on loans and unused credit lines	118,769	48,921	104,905	21,830
Total contingent liabilities and credit commitments	**183,637**	**81,353**	**139,110**	**40,640**

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 December 2012 and 2011 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 430 million and RUB 385 million, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases of buildings and equipment are as follows:

	31 December 2012 mRUB	31 December 2011 mRUB
Not later than 1 year	2,937	2,738
Later than 1 year and not later than 5 years	2,750	2,882
Later than 5 years	240	270
Total operating lease commitments	**5,927**	**5,890**

Fiduciary activities – In the normal course of its business, the Group enters into agreements with limited rights on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses due to its gross negligence or wilful misconduct until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized gain/loss on the client's position. In the judgment of management, as of 31 December 2012 and 2011 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUB 559 million and RUB 264 million, respectively. These amounts represent customers' funds under the management of the Group as at 31 December 2012 and 2011.

The Group also provides depositary services to its customers. As of 31 December 2012 and 2011, the Group had customer securities totalling 595,372,084,408 items and 1,656,317,543,368 items, respectively, in its nominal holder accounts.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The CBR issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and has established procedures on disclosing additional information in loan agreements in compliance with the CBR instruction.

As of 31 December 2011 the Group was under litigation with one of the borrowers for the total amount of claim of RUB 800 million. During the first quarter of 2012 based on court decision the Group was forced to transfer the amount claimed to the plaintiff. The Group's complaint was dismissed by the court. The litigation is still in process and the final outcome is uncertain.

Taxation – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Russian Transfer Pricing Legislation – Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Operating environment – Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Since the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Share-based payments – The Group engages in cash settled and equity settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares or share options granted is recognized in the consolidated income statement within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled, share-based payments.

35. Transactions with related parties

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2012 mRUB		31 December 2011 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Financial assets at fair value through profit or loss	4,578	33,796	3,000	21,049
- shareholders	4,578		3,000	
- related parties under common control with the Group	-		-	
Due from banks	10,535	55,448	20,012	42,300
- shareholders	10,535		20,012	
- related parties under common control with the Group	-		-	
Loans to customers, gross	3,022	627,868	3,924	606,368
- key management personnel of the Group	1		1	
- related parties under common control with the Group	3,021		3,923	
Allowance for impairment losses on loans to customers	(1,637)	(62,785)	(1,287)	(63,586)
- related parties under common control with the Group	(1,637)		(1,287)	
Investments available-for-sale	117	43,298	84	40,845
- related parties under common control with the Group	117		84	
Other assets	-	13,247	39	11,465
- related parties under common control with the Group	-		39	
Financial liabilities at fair value through profit or loss	6,817	12,354	4,507	7,628
- shareholders	6,817		4,507	
- related parties under common control with the Group	-		-	
Due to banks	88,741	171,087	120,315	160,718
- shareholders	88,741		104,097	
- related parties under common control with the Group	-		16,218	

	31 December 2012 mRUB		31 December 2011 mRUB	
	Related party transactions	**Total category as per financial statement caption**	**Related party transactions**	**Total category as per financial statement caption**
Customer accounts	6,750	327,431	6,181	359,404
- shareholders	-		-	
- key management personnel of the Group	1,024		2,015	
- related parties under common control with the Group	5,726		4,166	
Other liabilities	3,746	11,798	3,047	8,025
- shareholders	3,746		3,034	
- related parties under common control with the Group	-		13	
Subordinated debt	31,456	31,456	27,788	27,788
- shareholders	28,975		25,157	
- related parties under common control with the Group	2,481		2,632	
Guarantees issued and similar commitments	154	62,574	3,082	29,716
- shareholders	146		-	
- key management personnel of the Group	3		11	
- related parties under common control with the Group	5		3,071	
Commitments on loans and unused credit lines	5,485	118,769	5,152	104,905
- shareholders	5,310			
- key management personnel of the Group	-		16	
- related parties under common control with the Group	175		5,136	
Guarantees received	12,267	438,079	10,717	431,496
- shareholders	8,564		-	
- related parties under common control with the Group	3,703		10,717	

Included in the consolidated statements of comprehensive income for the years ended 31 December 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2012 mRUB		Year ended 31 December 2011 mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	159	78,970	612	71,140
- shareholders	119		225	
- key management personnel of the Group	-		3	
- related parties controlled by, or under common control with the Group	40		384	
Interest expense	8,517	33,108	8,970	27,133
- shareholders	8,273		8,173	
- key management personnel of the Group	77		662	
- related parties under common control with the Group	167		135	
Provision/(recovery of provision) for impairment losses	(350)	7,697	99	5,400
- key management personnel of the Group	-		-	
- related parties under common control with the Group	(350)		99	
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(1,065)	379	(186)	(681)
- shareholders	(1,065)		(186)	
- related parties under common control with the Group	-		-	
Net loss on foreign exchange operations	(1,413)	(103)	(74)	(76)
- shareholders	(1,436)		-	
- related parties under common control with the Group	23		(74)	
Fee and commission income	1,880	12,278	426	9,835
- shareholders	335		10	
- key management personnel of the Group	5		14	
- related parties under common control with the Group	1,540		402	
Fee and commission expense	166	2,523	210	2,008
- shareholders	166		22	
- related parties under common control with the Group	-		188	
Operating expense (other than compensation)	775	18,006	2,404	16,135
- shareholders	775		839	
- related parties under common control with the Group	-		1,565	
Other income	21	934	26	786
- shareholders	21		1	
- related parties under common control with the Group	-		25	

	Year ended 31 December 2012 mRUB		Year ended 31 December 2011 mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Salary, bonuses and social security contribution	368	18,904	517	18,490
- key management personnel	368		517	

36. Fair value of financial instruments

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in a forced or liquidation sale.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, due to banks, customer accounts, promissory notes issued, subordinated debt and other financial assets and liabilities, there is no reliable market value available for these portfolios.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying rate may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2012		31 December 2011	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and balances with the Central and National banks	56,967	56,967	56,841	56,841
Financial assets at fair value through profit or loss	33,796	33,796	21,049	21,049
Due from banks	55,448	55,448	42,300	42,300
Loans to customers	565,083	565,941	542,782	541,627
Investments available-for-sale	43,298	43,298	40,875	40,875
Other financial assets	1,457	1,457	1,321	1,321
Financial liabilities at fair value through profit or loss	12,354	12,354	7,628	7,628
Due to the Central Bank of the Russian Federation	30,080	30,080	12,007	12,007
Due to banks	171,087	171,087	160,718	160,718
Customer accounts	327,431	327,436	359,404	362,817
Debt securities issued	90,126	90,279	62,317	61,980
Other provisions	306	306	342	342
Other financial liabilities	8,623	8,623	6,242	6,242
Subordinated debt	31,456	31,456	27,788	27,788

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

Loans to customers

The fair value of the loans to customers is obtained by discounting the expected cash flows on the residual maturity basis, at the actual market rate, by category of loans, for similar products.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet	31 December 2012, mRUB			31 December 2011, mRUB		
Category	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	6,646	27,150	-	3,455	17,594	-
Investments available-for-sale	38,363	4,935	-	34,834	6,041	-
Financial liabilities at fair value through profit or loss	12,354	-	-	7,628	-	-

There were no transfers between Level 1 and 2 in the period.

37. Regulatory matters

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee.

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee.

	31 December 2012 mRUB	31 December 2011 mRUB
Tier 1 capital	104,931	96,792
Tier 2 capital	33,769	30,154
Total capital	**138,700**	**126,946**

As at 31 December 2012 and 2011 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

As at 31 December 2012 the Group's total capital amount for Capital Adequacy purposes was RUB 138,700 million and Tier 1 capital amount was RUB 104,931 million with ratios of 18.2% and 13.8%, respectively.

As at 31 December 2011 the Group's total capital amount for Capital Adequacy purposes was RUB 126,946 million and Tier 1 capital amount was RUB 96,792 million with ratios of 18.8% and 14.3%, respectively.

38. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group is obliged to comply with CBR capital adequacy requirements.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 31, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2011.

39. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group’s reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group’s marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 Dec 2012 mRUB
Interest income	57,369	16,527	1,264	3,810	78,970
Interest expense	(6,015)	(8,358)	(14,612)	(4,123)	(33,108)
Provisions for impairment losses on interest bearing assets	(2,816)	(4,881)	-	-	(7,697)
Net gain on financial assets at fair value through profit or loss	-	-	379	-	379
Net loss on foreign exchange operations	-	-	(103)	-	(103)
Net gain on precious metals operations	-	-	50	-	50
Net gain on sale of investments available-for-sale	-	-	-	240	240
Net fee and commission income	5,517	2,377	-	1,861	9,755
Other provisions	-	-	-	(990)	(990)
Dividend income	-	-	-	223	223
Other income	552	91	3	288	934
External operating income/ (expense)	54,607	5,756	(13,019)	1,309	48,653
(Expense)/income from other segments	(9,717)	(731)	11,333	(885)	-
Total operating income/ (expense)	44,890	5,025	(1,686)	424	48,653
Operating expenses	(23,835)	(7,048)	(1,193)	(4,834)	(36,910)
Profit/(loss) before income tax	21,055	(2,023)	(2,879)	(4,410)	11,743
Income tax expense	-	-	-	(3,311)	(3,311)
Net profit/(loss) from continuing operations	21,055	(2,023)	(2,879)	(7,721)	8,432
Segment assets	391,171	198,960	89,415	118,834	798,380
Segment liabilities	137,917	189,514	303,647	48,577	679,655
Other segment items					
Depreciation charge on property and equipment	(1,403)	(473)	(13)	-	(1,889)
Cash and balances with the Central and National banks	-	-	-	56,967	56,967
Financial assets at fair value through profit or loss	-	-	33,796	-	33,796
Loans and advances to banks	-	-	55,448	-	55,448
Loans to customers	372,437	192,646	-	-	565,083
Investments available-for-sale	-	-	-	43,298	43,298
Property and equipment	18,734	6,314	171	1	25,220
Financial liabilities at fair value through profit or loss	-	-	12,354	-	12,354
Due to the Central Bank of the Russian Federation	-	-	30,080	-	30,080
Deposits from banks	-	-	171,087	-	171,087
Customer accounts	137,917	189,514	-	-	327,431
Debt securities issued	-	-	90,126	-	90,126
Subordinated debt	-	-	-	31,456	31,456
Capital expenditure	2,533	854	23	-	3,410

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	Year ended 31 Dec 2011 mRUB
Interest income	51,210	15,391	2,712	1,827	71,140
Interest expense	(7,850)	(6,552)	(10,952)	(1,779)	(27,133)
Provisions for impairment losses on interest bearing assets	(3,959)	(1,375)	-	(66)	(5,400)
Net loss on financial assets at fair value through profit or loss	-	-	(681)	-	(681)
Net loss on foreign exchange operations	-	-	(76)	-	(76)
Net loss on precious metals operations	-	-	(92)	-	(92)
Net gain on sale of investments available-for-sale	-	-	-	8	8
Net fee and commission income	3,922	2,190	-	1,645	7,827
Other provisions	(152)	(122)	-	(1,230)	(1,504)
Dividend income	-	-	-	689	689
Other income	271	97	2	418	786
External operating income/ (expense)	43,512	9,629	(9,087)	1,512	45,564
(Expense)/income from other segments	(4,655)	(1,143)	8,071	(2,274)	-
Total operating income/ (expense)	38,857	8,486	(1,016)	(762)	45,564
Operating expenses	(24,420)	(6,155)	(935)	(3,115)	(34,625)
Profit/(loss) before income tax	14,437	2,331	(1,951)	(3,877)	10,939
Income tax expense	-	-	-	(2,419)	(2,419)
Net profit/(loss)	14,437	2,331	(1,951)	(6,296)	8,520
Segment assets	342,427	224,867	63,512	114,705	745,511
Segment liabilities	137,390	222,014	242,670	38,796	640,870
Other segment items					
Depreciation charge on property and equipment	(940)	(336)	(9)	-	(1,285)
Cash and balances with the Central and National banks	-	-	-	56,841	56,841
Financial assets at fair value through profit or loss	-	-	21,049	-	21,049
Loans and advances to banks	-	-	42,300	-	42,300
Investments available-for-sale	-	-	-	40,875	40,875
Loans to customers	324,375	218,407	-	-	542,782
Property and equipment	18,052	6,460	163	-	24,675
Due to the Central Bank of the Russian Federation	-	-	12,007	-	12,007
Deposits from banks	-	-	160,718	-	160,718
Customer accounts	137,390	222,014	-	-	359,404
Financial liabilities at fair value through profit or loss	-	-	7,628	-	7,628
Debt securities issued	-	-	62,317	-	62,317
Subordinated debt	-	-	-	27,788	27,788
Capital expenditure	1,304	467	12	-	1,783

40. Risk management policies

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Current liquidity and cash flow risks are commonly managed by the Treasury department and ALM within Finance division. Short term liquidity structure is daily managed by Treasury (priority in decisions with horizon up to 6 months) while general structure and long term horizon is followed by ALM (priority in decisions on horizon over 6 months). Strategic decisions and overall risk monitoring is provided by the Management Board through Executive Committee and Assets and Liabilities Committee (ALCO).

The Treasury Department produces intra-day forecasts on the Group payment position with short horizon (1-3 days) and performs management and control of the current liquidity position of the Group. The Asset and Liability Management Department of Finance Directorate (ALM) assesses excess/lack of liquidity on cumulative and individual basis through managerial cash flow gap analysis. It is produced by ALM weekly and monthly as a basic tool for liquidity risk analysis. It is reported to top and senior management of the Bank weekly, presented on Executive Committee and ALCO. Quarterly the Group IFRS cash flow gap table is produced according to standards of the major shareholder and reported via automated system for consolidation. The method used for assessment of the maturity structure is GAP analysis is being constantly revised to ensure integrity with real business profile and standards of the Group. It includes the analysis of absolute characteristics of the individual and cumulative gaps of the periodic structure of assets/liabilities based on basic maturity periods. Maturity is presented according to contractual terms and modeled prepayment impact for explicit maturity items and modeled amortization schedule for non-maturity items, client behaviour regarding contractual options is subject for further implementation in the gaps structure. The Central Bank of the Russian Federation's obligatory ratios are calculated and forecasted in terms of compliance by Finance Directorate. Both Treasury and ALM activities are performed with regard to possible impact on regulatory compliance.

For the years 2011-2012 the major shareholder has initiated a new project focused on liquidity management according to new Basel III requirements. Several ratios and limits are to be set up, reported intra Group and to the shareholder and will be commonly followed by Treasury and ALM in the future.

The table below presents the cash flow payable by the Group under financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2012 mRUB Total
LIABILITIES						
Financial liabilities at fair value through profit or loss	14,229	12	42	142	4	14,429
Due to the Central Bank of the Russian Federation	5,049	5,000	20,031	-	-	30,080
Due to banks	53,449	14,445	55,616	53,421	1,752	178,683
Customer accounts	74,328	45,233	94,084	87,365	33,238	334,248
Debt securities issued	158	2,889	52,854	46,610	181	102,692
Other provisions	306	-	-	-	-	306
Other financial liabilities	4,823	5,012	1,963	-	-	11,798
Subordinated debt	163	164	132	8,857	39,931	49,247
Contingent liabilities and credit commitments	183,637	-	-	-	-	183,637
Total financial liabilities and commitments	**336,142**	**72,755**	**224,722**	**196,395**	**75,106**	**905,120**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 mRUB Total
LIABILITIES						
Financial liabilities at fair value through profit or loss	7,290	8	34	282	14	7,628
Due to banks and to the Central Bank of the Russian Federation	53,036	10,640	43,061	64,862	8,579	180,178
Customer accounts	167,780	69,705	88,955	46,534	469	373,443
Debt securities issued	1,831	8,675	15,408	43,391	395	69,700
Subordinated debt	1	2	8	18,440	20,857	39,308
Other financial liabilities	1,540	2,677	1,993	32	-	6,242
Other provisions	342	-	-	-	-	342
Contingent liabilities and credit commitments	139,110	-	-	-	-	139,110
Total financial liabilities and commitments	**370,930**	**91,707**	**149,459**	**173,541**	**30,314**	**815,951**

As at 31 December 2012 and 2011 contingent liabilities and credit commitments included financial guarantee contracts in the amount of RUB 62,574 million and RUB 29,716 million, respectively. These are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

Structural interest rate risk

Structural interest rate risk is measured within the scope of structural activities (transactions with clients, the associated hedging transactions and proprietary transactions). Structural interest rate risk arises mainly from the residual gaps (surplus or deficit) in each entity's fixed-rate forecasted positions.

The Group's main aim is to reduce each Group entity's exposure to structural interest rate risk as much as possible. To this end, any residual structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee. Sensitivity is defined as the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficit) for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of the annual net interest margin). The limit set at Group level is EUR 67 million.

In order to quantify its exposure to structural interest rate risks, the Group analyses all fixed-rate assets and liabilities in the future. These positions come from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns (particularly for savings accounts, early loan repayments, etc.), as well as conventional assumptions relating to certain balance sheet items (principally shareholders' equity and sight deposits).

Once the Group has identified its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to interest rate variations. This sensitivity is defined as the variation of the net present value of the fixed-rate positions for a 1% instantaneous parallel increase in the yield curve.

In addition to this analysis, the Group also analyses the sensitivity to different yield curve configurations of the fixed rate position (steepening and flattening of the yield curve). The measurement of the net interest income sensitivity is also used by the Group to quantify the structural interest rate risk of significant entities.

Throughout 2012, the Group's overall sensitivity to interest rate risk remained within the limit.

Sensitivity to interest rate variations of the Group is presented below:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Short term	146	(99)
Medium term	(1,476)	(1,609)
Long term	578	1,067
Total sensitivity to interest rate risk	**(752)**	**(641)**

Liquidity risk

The analysis of liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 mRUR Total
ASSETS							
Cash and balances with the Central and National banks	51,176	-	-	-	-	5,791	56,967
Financial assets at fair value through profit or loss	18,405	15,391	-	-	-	-	33,796
Due from banks	48,286	2,512	4,308	342	-	-	55,448
Loans to customers	35,206	51,603	167,954	245,747	64,573	-	565,083
Investments available-for-sale	31,733	183	9,729	647	1,006	-	43,298
Property and equipment	-	-	-	-	-	25,220	25,220
Current income tax asset	-	-	384	-	-	-	384
Deferred income tax asset	-	-	-	4,937	-	-	4,937
Other assets	4,928	431	617	2,328	4,943	-	13,247
TOTAL ASSETS	**189,734**	**70,120**	**182,992**	**254,001**	**70,522**	**31,011**	**798,380**
LIABILITIES							
Financial liabilities at fair value through profit or loss	12,348	-	-	6	-	-	12,354
Due to the Central Bank of the Russian Federation	5,049	5,000	20,031	-	-	-	30,080
Due to banks	48,577	14,425	55,309	50,878	1,898	-	171,087
Customer accounts	71,837	45,002	93,761	83,653	33,178	-	327,431
Debt securities issued	548	2,039	48,557	38,399	583	-	90,126
Other provisions	251	55	-	-	-	-	306
Current income tax liabilities	-	-	979	-	-	-	979
Deferred income tax liabilities	-	-	-	4,038	-	-	4,038
Other liabilities	4,823	5,012	1,963	-	-	-	11,798
Subordinated debt	163	164	132	8,591	22,406	-	31,456
TOTAL LIABILITIES	**143,596**	**71,697**	**220,732**	**185,565**	**58,065**	**-**	**679,655**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 mRUR Total
ASSETS							
Cash and balances with the Central and National banks	50,512	-	-	-	-	6,329	56,841
Financial assets at fair value through profit or loss	12,061	8,988	-	-	-	-	21,049
Due from banks	22,805	2,165	14,417	2,913	-	-	42,300
Loans to customers	27,090	43,748	151,945	257,215	35,584	27,200	542,782
Investments available-for-sale	35,637	-	850	2,342	2,046	-	40,875
Property and equipment	-	-	-	-	-	24,675	24,675
Current income tax asset	-	-	1,047	-	-	-	1,047
Deferred income tax asset	-	-	-	4,477	-	-	4,477
Other assets	5,216	629	-	445	5,175	-	11,465
TOTAL ASSETS	**153,321**	**55,530**	**168,259**	**267,392**	**42,805**	**58,204**	**745,511**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 mRUR Total
LIABILITIES							
Financial liabilities at fair value through profit or loss	7,290	8	34	282	14	-	7,628
Due to the Central Bank of the Russian Federation	6,002	-	6,005	-	-	-	12,007
Due to banks	37,048	7,168	43,061	64,862	8,579	-	160,718
Customer accounts	69,641	78,309	101,840	72,990	36,624	-	359,404
Debt securities issued	684	8,536	14,422	37,343	401	931	62,317
Other provisions	342	-	-	-	-	-	342
Current income tax liabilities	-	-	154	-	-	-	154
Deferred income tax liabilities	-	-	-	2,487	-	-	2,487
Other liabilities	3,024	2,901	2,020	80	-	-	8,025
Subordinated debt	-	-	-	12,119	15,669	-	27,788
TOTAL LIABILITIES	**124,031**	**96,922**	**167,536**	**190,163**	**61,287**	**931**	**640,870**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in securities at the reporting date.

The results of the analysis of the sensitivity of the Groups profit before tax and equity for the year to changes in prices of securities on a simplified scenario of 10% symmetrical increase or decrease in all securities prices are given in the table below:

		Reflected in profit or loss		Reflected in total comprehensive income	
	MTM	**10% down**	**10 % up**	**10% down**	**10% up**
31 December 2012					
Total	**62,746**	**(2,438)**	**2,438**	**(6,274)**	**6,274**
Trading portfolio	**24,383**	**(2,438)**	**2,438**	**(2,438)**	**2,438**
Promissory Notes	17,737	(1,774)	1,774	(1,774)	1,774
Domestic Corporate Bonds	3,224	(322)	322	(322)	322
Government Domestic Bonds	1,332	(133)	133	(133)	133
Corporate Eurobonds	1,234	(123)	123	(123)	123
Domestic Municipal Bonds	856	(86)	86	(86)	86
AFS portfolio	**38,363**	**-**	**-**	**(3,836)**	**3,836**
Government Domestic Bonds	23,394	-	-	(2,339)	2,339
Government Eurobonds	13,513	-	-	(1,351)	1,351
Domestic Corporate Bonds	1,456	-	-	(146)	146

		Reflected in profit or loss		Reflected in total comprehensive income	
	MTM	10% down	10 % up	10% down	10% up
31 December 2011					
Total	**52,620**	**(1,302)**	**1,302**	**(5,261)**	**5,261**
Trading portfolio	**13,026**	**(1,302)**	**1,302**	**(1,302)**	**1,302**
Promissory Notes	9,951	(995)	995	(995)	995
Domestic Corporate Bonds	1,873	(187)	187	(187)	187
Government Domestic Bonds	150	(15)	15	(15)	15
Corporate Eurobonds	172	(17)	17	(17)	17
Domestic Municipal Bonds	880	(88)	88	(88)	88
AFS portfolio	**39,594**	**-**	**-**	**(3,959)**	**3,959**
Government Domestic Bonds	21,590	-	-	(2,159)	2,159
Government Eurobonds	12,842	-	-	(1,284)	1,284
Domestic Corporate Bonds	5,162	-	-	(516)	516

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuation in prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	USD 1 USD = 30.3727 RUB	EUR 1 EUR = 40.2286 RUB	Precious metals	Other currency	31 December 2012 mRUB Total
ASSETS						
Cash and balances with the Central and National banks	54,605	1,480	851	-	31	56,967
Financial assets at fair value through profit or loss	21,284	6,642	(543)	-	6,413	33,796
Due from banks	26,740	22,946	2,462	-	3,300	55,448
Loans to customers	455,605	101,609	7,869	-	-	565,083
Investments available-for-sale	29,782	13,513	3	-	-	43,298
Other financial assets	1,384	4	69	-	-	1,457
TOTAL FINANCIAL ASSETS	**589,400**	**146,194**	**10,711**	**-**	**9,744**	**756,049**
Property and equipment	25,220	-	-	-	-	25,220
Current income tax assets	384	-	-	-	-	384
Deferred income tax asset	4,937	-	-	-	-	4,937
Other non-financial assets	10,584	95	290	800	21	11,790
TOTAL NON-FINANCIAL ASSETS	**41,125**	**95**	**290**	**800**	**21**	**42,331**
TOTAL ASSETS	**630,525**	**146,289**	**11,001**	**800**	**9,765**	**798,380**
LIABILITIES						
Financial liabilities at fair value through profit or loss	5,632	616	(307)	-	6,413	12,354
Due to CBR	30,080	-	-	-	-	30,080
Due to banks	96,546	62,342	10,971	40	1,188	171,087
Customer accounts	218,215	83,949	23,535	1,445	287	327,431
Debt securities issued	88,929	1,162	35	-	-	90,126
Other provisions	306	-	-	-	-	306
Other financial liabilities	4,940	48	3,630	-	5	8,623
Subordinated debt	8,844	20,600	2,012	-	-	31,456
TOTAL FINANCIAL LIABILITIES	**453,492**	**168,717**	**39,876**	**1,485**	**7,893**	**671,463**
Current income tax liabilities	979	-	-	-	-	979
Deferred income tax liabilities	4,038	-	-	-	-	4,038
Other non-financial liabilities	2,187	350	310	-	328	3,175
TOTAL NON-FINANCIAL LIABILITIES	**7,204**	**350**	**310**	**-**	**328**	**8,192**
TOTAL LIABILITIES	**460,696**	**169,067**	**40,186**	**1,485**	**8,221**	**679,655**
OPEN BALANCE SHEET POSITION	**169,829**	**(22,778)**	**(29,185)**	**(685)**	**1,544**	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2012:

	RUB	USD 1 USD = 30.3727 RUB	EUR 1 EUR = 40.2286 RUB	Precious metals	Other currency	31 December 2012 mRUB Total
Receivables on spot and derivative contracts	121,164	143,813	53,001	871	73,574	392,423
Payables on spot and derivative contracts	(170,272)	(123,192)	(23,791)	(111)	(75,057)	(392,423)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(49,108)**	**20,621**	**29,210**	**760**	**(1,483)**	
TOTAL OPEN POSITION	**120,721**	**(2,157)**	**25**	**75**	**61**	

	RUB	USD 1 USD = 32.1961 RUB	EUR 1 EUR = 41.6714 RUB	Precious metals	Other currency	31 December 2011 mRUB Total
ASSETS						
Cash and balances with the Central and National banks	51,180	2,980	1,500	-	1,181	56,841
Financial assets at fair value through profit or loss	11,410	3,464	61	-	6,114	21,049
Due from banks	10,633	14,626	15,317	-	1,724	42,300
Loans to customers	383,956	149,581	7,572	-	1,673	542,782
Investments available-for-sale	28,032	12,842	1	-	-	40,875
Other financial assets	1,142	175	3	-	1	1,321
TOTAL FINANCIAL ASSETS	**486,353**	**183,668**	**24,454**	**-**	**10,693**	**705,168**
Property and equipment	24,230	-	-	-	445	24,675
Current income tax assets	1,036	-	-	-	11	1,047
Deferred income tax asset	4,325	-	-	-	152	4,477
Other non-financial assets	9,519	67	207	147	204	10,144
TOTAL NON-FINANCIAL ASSETS	**39,110**	**67**	**207**	**147**	**812**	**40,343**
TOTAL ASSETS	**525,463**	**183,735**	**24,661**	**147**	**11,505**	**745,511**
LIABILITIES						
Due to CBR	12,007	-	-	-	-	12,007
Due to banks	94,030	62,626	4,026	35	1	160,718
Customer accounts	225,831	106,318	23,811	1,563	1,881	359,404
Financial liabilities at fair value through profit or loss	85	515	762	-	6,266	7,628
Debt securities issued	57,916	4,116	85	-	200	62,317
Subordinated debt	8,858	16,845	2,085	-	-	27,788
Other financial liabilities	3,510	85	2,647	-	-	6,242
Other provisions	342	-	-	-	-	342
TOTAL FINANCIAL LIABILITIES	**402,579**	**190,505**	**33,416**	**1,598**	**8,348**	**636,446**
Current income tax liabilities	154	-	-	-	-	154
Deferred income tax liabilities	2,487	-	-	-	-	2,487
Other non-financial liabilities	1,365	40	38	-	340	1,783
TOTAL NON-FINANCIAL LIABILITIES	**4,006**	**40**	**38**	**-**	**340**	**4,424**
TOTAL LIABILITIES	**406,585**	**190,545**	**33,454**	**1,598**	**8,688**	**640,870**
OPEN BALANCE SHEET POSITION	**118,878**	**(6,810)**	**(8,793)**	**(1,451)**	**2,817**	

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2011:

	RUB	USD 1 USD = 32.1961 RUB	EUR 1 EUR = 41.6714 RUB	Precious metals	Other currency	31 December 2011 mRUB Total
Receivables on spot and derivative contracts	12,781	25,428	5,767	1,533	784	46,293
Payables on spot and derivative contracts	(27,398)	(12,682)	(6,106)	(8)	(99)	(46,293)
NET POSITION ON SPOT AND DERIVATIVE CONTRACTS	**(14,617)**	**12,746**	**(339)**	**1,525**	**685**	
TOTAL OPEN POSITION	**104,261**	**5,936**	**(9,132)**	**74**	**3,502**	

Currency risk sensitivity

The following table details the Group’s sensitivity to a 10% increase and decrease in the RUB against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the RUB weakens 10% against the relevant currency. For a 10% strengthening of the RUB against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	USD impact		EUR impact	
	2012	**2011**	**2012**	**2011**
Profit before tax	(216)	594	3	(913)
Other equity	-	-	-	-

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group’s assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group’s financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group’s view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk

Credit activities are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as internationally accepted criteria. Credit Policy is defined by the Group's Management Board and the Credit Committee. Credit Risk is taken based on the principles of risk adequacy, adequacy of profitability and strategic rationale. Credit operations conducted by the Group include term loans, credit lines, overdraft facilities, syndications, documentary operations and other operations involving credit risk. The credit procedure is structured in line with a strict segregation of duties, based on the approved Credit Manual of the Group.

The Credit Committee is a standing body of the Group, authorized to make decisions on all issues relating to the credit operations of the Group. Its task is to ensure design and implementation of a single credit policy of the Group and its branches. The Credit Committee consider issues regarding the assumption of credit risks for transactions within relevant limits (there are separate limits for corporate clients, financial institutions and individuals) established and revised on an annual basis by the Management Board and/or for which the period does not exceed 12 months.

The assumption of credit risks for transactions exceeding relevant limits established by the Board and/or for which the period exceeds 12 months is considered by the Management Board.

Credit risk management and control are conducted using differentiated multilevel complex approach to evaluation of credit applications. Credit control is carried out at all stages of credit work and credit portfolio structuring. Credit risk policy is conducted in accordance with the following internal documents:

- Banking credit policy;
- Direction for credit operations.

The following methods of credit risk management are used:

- Complex credit risk analysis;
- Approval of credit risk limits for individuals and groups of clients;
- Control over maturity structure of assets;
- Limit and decision-making control;
- Planning spread between cash inflow and outflow, plan vs. actual analysis;
- Analysis of borrower's financial position, monitoring of financial position of guarantors;
- Current banking assets monitoring for management decisions-making.

Credit risk is evaluated by the following bodies:

- Credit Risks Department – complex analysis of the counterparty risk level;
- Credit Committee – decision (within local delegations) on Credit request on the basis of information prepared by Commercial block and credit risks assessment prepared by Credit Risks team;
- Responsible department in Head Office, Paris – second level analysis of the counterparty risk level and decision on the credit request above Russia's local delegations.

The procedure for credit risk assumption comprises:

- Gathering of essential documents;
- Assessment of reliability and completeness of documents;
- Complex analysis of all risks which may occur;
- Making decisions about credit risk assumption;
- Legal capacity control of clients and their representatives

Internal ratings

The Group's rating system makes a key distinction between retail customers and corporate, bank and sovereign clients: for retail customer portfolios, internal models are used to measure credit risks, calculated according to the borrower's probability of default (PD) within one year and the percentage loss if the counterparty defaults (Loss Given Default, LGD). These parameters are automatically assigned, in line with the Basel guidelines; for the corporate, bank and sovereign portfolios, the rating system relies on two main pillars: Obligor rating models used as a decision-making support tool when assigning a rating and a system that automatically assigns LGD.

In both cases a set of procedures defines the rules relating to ratings (scope, frequency of rating review, rating approval procedure, etc.), and for the supervision, back-testing and validation of models split between Rosbank and SG respectively. Among other things, these procedures facilitate human judgement, which provides a critical view of the results and is an essential complement to the models for these portfolios. The Group's internal models thus enable a quantitative assessment of credit risks based on the probability of default of the counterparty and the loss given default. The final Obligor rating is included in the credit applications and incorporated in credit limit delegation policy. Thus, Obligor ratings are one of the criteria for determining the approval limits granted to operational staff and the risk function.

All Group risk models are developed and validated on the basis of the longest available internal historical data, which must be representative (both in terms of the portfolios in question and the effects of the economic environment during the period considered) and conservative. As a result, the Group's risks estimates are not excessively sensitive to changes in the economic environment, while being able to detect any deterioration of risks. The PD modelling for large corporates has also been calibrated against long-term default statistics obtained from an external rating agency.

The criteria for determining internal rating category are as follows:

SG OG category	Criteria
1-2	High level of creditworthiness. Financial position is assessed as good and stable in the long term.
3	High level of creditworthiness. Financial position is assessed as good and stable in the long term. Some financial indicators are below 2nd category.
4	Relatively high level of creditworthiness. Financial position is assessed as satisfactory and stable in the long term.
5	Average level of creditworthiness. Financial position is assessed as satisfactory and stable in the short term.
6	Creditworthiness below average. Key financial indicators are assessed as satisfactory and stable in the short term.
7	Creditworthiness below average. Key financial indicators are assessed as satisfactory, but their stability is doubtful.

Maximum exposure to credit risk

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2012 Net exposure after offset and collateral
Balance with the Central and National banks	33,932	-	33,932	-	33,932
Financial assets at fair value through profit or loss	33,796	-	33,796	-	33,796
Due from banks	55,448	-	55,448	3,523	51,925
Loans to customers	565,083	31	565,052	237,538	327,514
Investments available-for-sale	38,363	-	38,363	-	38,363
Other financial assets	1,457	-	1,457	-	1,457
Commitments on loans and unused credit lines	118,769	-	118,769	-	118,769
Guarantees and letters of credit	64,868	390	64,478	-	64,478

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2011 Net exposure after offset and collateral
Balance with the Central and National banks	36,257	-	36,257	-	36,257
Financial assets at fair value through profit or loss	21,049	-	21,049	-	21,049
Due from banks	42,300	-	42,300	604	41,696
Loans to customers	542,782	869	541,913	349,156	192,757
Investments available-for-sale	39,594	-	39,594	-	39,594
Other financial assets	1,321	-	1,321	-	1,321
Commitments on loans and unused credit lines	104,905	-	104,905	10,246	94,659
Guarantees and letters of credit	34,205	1,265	32,940	1,188	31,752

Collateral management

Collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities and also insurance policies. Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

As of 31 December 2012 and 2011 the loans to customers were collateralized by the following:

	31 December 2012 mRUB	31 December 2011 mRUB
Real estate	168,214	161,622
Vehicles	162,970	152,812
Corporate guarantees	41,787	26,014
Rights of demand	12,468	14,975
Goods in turnover	7,130	4,133
Equipment	6,570	6,510
Securities	3,573	649
Cash and Group's debt securities	2,703	869
Others	837	691
Unsecured loans	221,616	238,093
Total gross loans to customers	**627,868**	**606,368**

The Group proactively manages its risks by diversifying guarantees: physical collateral, personal guarantees and others. In addition, the Group has strengthened its policies relating to the acceptance and management of guarantees and collateral as well as their valuation (data collection on guarantees and collateral, deployment of operational procedures).

During the credit approval process, an assessment of the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations is undertaken.

The Risk Department is responsible for validating the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, both during the approval phase for a new loan or upon the annual renewal of the credit application.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets (except loans to customers) that are neither past due nor impaired held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2012 Total mRUB
Financial assets at fair value through profit or loss	-	68	4,649	18,818	6,036	4,225	33,796
Due from banks	86	4,588	12,056	12,991	5,895	19,832	55,448
Investments available-for-sale	-	-	-	37,006	739	618	38,363

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2011 Total mRUB
Financial assets at fair value through profit or loss	-	-	-	13,314	5,041	2,694	21,049
Due from banks	128	5,024	20,438	7,171	2,473	7,066	42,300
Investments available-for-sale	-	-	-	27,505	2,095	9,994	39,594

As of 31 December 2012 and 2011 the Balances with the Central and National banks amounted to RUB 33,932 million and RUB 36,257 million, respectively. As of 31 December 2012 and 2011 the credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB. As of 31 December 2011 the credit rating of Belarus corresponded to B- level.

As of 31 December 2012 and 2011 unimpaired loans to customers comprise:

Category	Neither past due nor impaired	Past due but not impared					31 December 2012 Total not impaired mRUB
		Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due 6 months and over	Total past due but not impaired	
Loans to individuals	354,770	5,077	3,886	2,494	-	11,457	366,227
Loans to legal entities	175,066	125	37	391	576	1,129	176,195
Total loans to customers not impared	**529,836**	**5,202**	**3,923**	**2,885**	**576**	**12,586**	**542,422**

Category	Neither past due nor impaired	Past due but not impared					31 December 2011 Total not impaired mRUB
		Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due 6 months and over	Total past due but not impaired	
Loans to individuals	304,802	9,354	244	-	-	9,598	314,400
Loans to legal entities	169,421	1,105	230	-	-	1,335	170,756
Total loans to customers not impared	**474,223**	**10,459**	**474**	**-**	**-**	**10,933**	**485,156**

As of 31 December 2012 and 2011 the credit quality of loans to corporate customers that are neither past due nor impaired is presented below:

Internal rating category	31 December 2012 mRUB	31 December 2011 mRUB
1-2	3,463	2,910
3	3,413	829
4	18,302	19,379
5	65,520	57,672
6	52,208	51,824
7	32,160	36,807
Total	**175,066**	**169,421**

In respect to loans to individuals, the management of the Group bases its judgement for decision-making purposes on information on overdue periods for those loans.

The banking industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Group is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

The table below shows the carrying amount of renegotiated financial assets, by class:

	31 December 2012 mRUB	31 December 2011 mRUB
Loans to customers:		
-loans to legal entities	6,934	13,587
-loans to individuals	3,786	3,776
Total loans to customers	**10,720**	**17,363**

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2012 mRUB Total
ASSETS					
Cash and balances with the Central Banks	56,967	-	-	-	56,967
Financial assets at fair value through profit or loss	27,875	-	5,564	357	33,796
Due from banks	27,664	6	26,458	1,320	55,448
Loans to customers	555,162	1,119	3,694	5,108	565,083
Investments available-for-sale	43,295	-	3	-	43,298
Other financial assets	1,457	-	-	-	1,457
TOTAL FINANCIAL ASSETS	**712,420**	**1,125**	**35,719**	**6,785**	**756,049**
Property and equipment	25,220	-	-	-	25,220
Current income tax assets	384	-	-	-	384
Deferred income tax asset	4,881	-	56	-	4,937
Other non-financial assets	11,769	-	21	-	11,790
TOTAL NON-FINANCIAL ASSETS	**42,254**	**-**	**77**	**-**	**42,331**
TOTAL ASSETS	**754,674**	**1,125**	**35,796**	**6,785**	**798,380**
LIABILITIES					
Financial liabilities at fair value through profit or loss	4,369	-	7,985	-	12,354
Due to the Central Bank of the Russian Federation	30,080	-	-	-	30,080
Due to banks	42,820	75	125,541	2,651	171,087
Customer accounts	304,272	596	3,813	18,750	327,431
Debt securities issued	88,973	-	1,153	-	90,126
Other provisions	306	-	-	-	306
Other financial liabilities	4,789	-	3,834	-	8,623
Subordinated debt	-	-	31,456	-	31,456
TOTAL FINANCIAL LIABILITIES	**475,609**	**671**	**173,782**	**21,401**	**671,463**
Current income tax liabilities	979	-	-	-	979
Deferred income tax liabilities	4,038	-	-	-	4,038
Other non-financial liabilities	2,814	-	361	-	3,175
TOTAL NON-FINANCIAL LIABILITIES	**7,831**	**-**	**361**	**-**	**8,192**
TOTAL LIABILITIES	**483,440**	**671**	**174,143**	**21,401**	**679,655**
NET POSITION	**271,234**	**454**	**(138,347)**	**(14,616)**	

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2011 mRUB Total
ASSETS					
Cash and balances with the Central Banks	54,032	2,581	228	-	56,841
Financial assets at fair value through profit or loss	13,124	1,284	6,641	-	21,049
Due from banks	13,487	223	27,281	1,309	42,300
Loans to customers	523,514	11,427	3,865	3,976	542,782
Investments available-for-sale	40,874	-	1	-	40,875
Other financial assets	1,319	2	-	-	1,321
TOTAL FINANCIAL ASSETS	**646,350**	**15,517**	**38,016**	**5,285**	**705,168**
Property and equipment	24,260	415	-	-	24,675
Current income tax assets	1,047	-	-	-	1,047
Deferred income tax asset	4,477	-	-	-	4,477
Other non-financial assets	9,864	85	195	-	10,144
TOTAL NON-FINANCIAL ASSETS	**39,648**	**500**	**195**	**-**	**40,343**
TOTAL ASSETS	**685,998**	**16,017**	**38,211**	**5,285**	**745,511**
LIABILITIES					
Financial liabilities at fair value through profit or loss	-	158	7,470	-	7,628
Due to the Central Bank of the Russian Federation	12,007	-	-	-	12,007
Due to banks	32,791	6	125,352	2,569	160,718
Customer accounts	289,153	8,137	4,292	57,822	359,404
Debt securities issued	59,492	200	2,625	-	62,317
Other provisions	342	-	-	-	342
Other financial liabilities	3,816	-	2,425	-	6,241
Subordinated debt	-	-	27,788	-	27,788
TOTAL FINANCIAL LIABILITIES	**397,601**	**8,501**	**169,952**	**60,391**	**636,445**
Current income tax liabilities	165	(11)	-	-	154
Deferred income tax liabilities	2,487	-	-	-	2,487
Other non-financial liabilities	1,437	13	334	-	1,784
TOTAL NON-FINANCIAL LIABILITIES	**4,089**	**2**	**334**	**-**	**4,425**
TOTAL LIABILITIES	**401,690**	**8,503**	**170,286**	**60,391**	**640,870**
NET POSITION	**284,308**	**7,514**	**(132,075)**	**(55,106)**	

41. Subsequent events

In March 2013, and after negotiation with the Eurogroup, Cyprus accepted to significantly restructure its two largest banks and to impose a significant haircut on uninsured deposits in return for a €10 billion bailout from the European Commission, the European Central Bank and the International Monetary Fund, while insured deposits of €100,000 or less will not be affected. Rosbank exposure to the Cyprus economy and banking system is immaterial to the Group.

In March 2013 the Group's subsidiary Rosbank International Finance BV was liquidated according to the Group decision. There was no significant impact from this operation on the Group's financial result.