

**Bank “ROSSIYA”**

**International Financial Reporting Standards  
Financial Statements**

**31 December 2010**

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**Bank "ROSSIYA"**  
**Statement of Financial Position**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	48 153 229	30 221 299
Mandatory cash balances with the Central Bank of the Russian Federation		1 807 432	835 123
Due from other banks	8	51 243 295	22 824 487
Loans and advances to customers	9	82 464 075	48 954 251
Investment securities available for sale	10	65 843 118	6 496 982
Investment securities held to maturity	11	997 023	889 420
Investments in subsidiaries and associates	12	5 346 369	440 329
Premises and equipment and intangible assets	13	3 333 013	733 727
Deferred income tax asset	25	-	27 103
Other financial assets	14	183 971	367 114
Other assets	15	620 388	88 438
<b>TOTAL ASSETS</b>		<b>259 991 913</b>	<b>111 878 273</b>
<b>LIABILITIES</b>			
Due to other banks	16	1 009 761	1 931
Customer accounts	17	207 278 639	88 681 328
Debt securities in issue	18	16 324 901	10 283 298
Subordinated deposits		10 762 273	5 000 000
Deferred income tax liability	25	443 386	-
Other financial liabilities	19	203 404	116 675
Other liabilities	20	224 335	58 076
<b>TOTAL LIABILITIES</b>		<b>236 246 699</b>	<b>104 141 308</b>
<b>EQUITY</b>			
Share capital	21	674 231	590 269
Share premium	21	17 716 034	3 424 506
Additional paid-in capital		140 539	140 539
Fair value reserve for investment securities available for sale		242 176	(60 658)
Retained earnings		4 972 234	3 642 309
<b>TOTAL EQUITY</b>		<b>23 745 214</b>	<b>7 736 965</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>259 991 913</b>	<b>111 878 273</b>

Signed on behalf of the Board of Directors on 14 July 2011.

\_\_\_\_\_  
D.A. Lebedev  
Chairman of the Management Board

\_\_\_\_\_  
V.V. Poleschuk  
Financial Director

**Bank "ROSSIYA"**  
**Statement of Comprehensive Income**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
Interest income	22	11 011 263	9 247 203
Interest expense	22	(6 916 415)	(6 592 846)
<b>Net interest income</b>		<b>4 094 848</b>	<b>2 654 357</b>
Provision for loan impairment	9	(445 831)	(271 422)
<b>Net interest income after provision for loan impairment</b>		<b>3 649 017</b>	<b>2 382 935</b>
Fee and commission income	23	676 159	190 149
Fee and commission expense	23	(163 407)	(50 062)
Gains less losses/(losses less gains) from financial derivatives		482 043	(31 811)
Losses less gains on disposal of investment securities available for sale	10	(114 487)	(33 970)
Gains less losses from trading in foreign currencies		34 184	284 137
Foreign exchange translation (losses less gains)/gains less losses		(195 198)	526 042
Recovery of provision/(provision) for impairment of investment securities	10, 11	193 110	(163 854)
Other operating (expenses less income)/income less expenses		(42 905)	11 690
Administrative and other operating expenses	24	(2 665 957)	(1 176 464)
<b>Profit before tax</b>		<b>1 852 559</b>	<b>1 938 792</b>
Income tax expense	25	(372 495)	(396 556)
<b>Profit for the year</b>		<b>1 480 064</b>	<b>1 542 236</b>
<b>Other comprehensive income and expenses:</b>			
- Gains less losses on investment securities available for sale arising during the year net of reclassification to profit or loss upon disposal and impairment	10	378 543	334 557
- Income tax related to gains less losses on investment securities available for sale	25	(75 709)	(66 912)
<b>Other comprehensive income for the year</b>		<b>302 834</b>	<b>267 645</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1 782 898</b>	<b>1 809 881</b>

The notes set out on pages 5 to 54 form an integral part of these financial statements.

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Information in this document represents translation of the financial statements of the Bank prepared in Russian which are official and have unconditional authority

**Bank "ROSSIYA"**  
**Statement of Changes in Equity**

	Note	Share capital	Share premium	Additional paid-in capital	Fair value reserve for investment securities available for sale	Retained earnings	Total
<i>In thousands of Russian Roubles</i>							
<b>Balance at 1 January 2009</b>		<b>590 269</b>	<b>3 424 506</b>	<b>140 539</b>	<b>(328 303)</b>	<b>2 200 088</b>	<b>6 027 099</b>
<b>Total comprehensive income for 2009</b>		-	-	-	267 645	1 542 236	1 809 881
Dividends declared							
- ordinary shares	26	-	-	-	-	(93 565)	(93 565)
- preference shares	26	-	-	-	-	(6 450)	(6 450)
<b>Balance at 31 December 2009</b>		<b>590 269</b>	<b>3 424 506</b>	<b>140 539</b>	<b>(60 658)</b>	<b>3 642 309</b>	<b>7 736 965</b>
<b>Total comprehensive income for 2010</b>		-	-	-	<b>302 834</b>	<b>1 480 064</b>	<b>1 782 898</b>
Dividends declared							
- ordinary shares	26	-	-	-	-	(143 689)	(143 689)
- preference shares	26	-	-	-	-	(6 450)	(6 450)
New shares issued	12, 21	83 962	14 291 528	-	-	-	14 375 490
<b>Balance at 31 December 2010</b>		<b>674 231</b>	<b>17 716 034</b>	<b>140 539</b>	<b>242 176</b>	<b>4 972 234</b>	<b>23 745 214</b>

The notes set out on pages 5 to 54 form an integral part of these financial statements.

**Bank "ROSSIYA"**  
**Statement of Cash Flows**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>			
Interest received		10 889 820	8 562 880
Interest paid		(6 946 645)	(5 597 492)
Income received from trading in foreign currencies		34 184	284 137
Fees and commissions received		649 975	190 149
Fees and commissions paid		(163 407)	(50 062)
Gain received from financial derivatives		497 290	561 831
Other operating (expenses paid less income)/income received less expenses		(9 239)	10 698
Administrative and other operating expenses paid		(2 292 119)	(1 088 383)
Income tax paid		(363 851)	(474 077)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>2 296 008</b>	<b>2 399 681</b>
Net increase in mandatory cash balances with the Central bank of the Russian Federation			
		(214 144)	(709 742)
Net decrease/(increase) in due from other banks			
		9 686 156	(12 993 088)
Net (increase)/decrease in loans and advances to customers			
		(15 030 416)	5 562 968
Net increase in other assets and other financial assets			
		(284 974)	(108 743)
Net increase/(decrease) in due to other banks			
		961 538	(8 748 984)
Net increase in customer accounts			
		14 491 445	9 770 835
Net increase in debt securities in issue			
		2 217 112	4 042 593
Net increase in other financial liabilities and other liabilities			
		66 766	73 756
<b>Net cash from/(used in) operating activities</b>		<b>14 189 491</b>	<b>(710 724)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities available for sale	10	(87 658 893)	(12 804 408)
Proceeds from disposal and redemption of investment securities available for sale	10	80 271 081	8 907 315
Acquisition of investment securities held to maturity	11	-	(38)
Proceeds from redemption of investment securities held to maturity	11	-	934 237
Acquisition of premises and equipment and intangible assets	13	(420 975)	(61 945)
Proceeds from disposal of premises and equipment		39 848	490
Dividends received		1 803	992
Cash outflow on acquisition of shares in subsidiaries and associates	12	(2 033 622)	(380 000)
Cash inflow on acquisition of subsidiaries, including cash acquired	12	8 644 453	-
Proceeds from disposal of subsidiaries		-	550
<b>Net cash used in investing activities</b>		<b>(1 156 305)</b>	<b>(3 402 807)</b>
<b>Cash flows from financing activities</b>			
Proceeds from subordinated deposits		5 000 000	-
Dividends paid	26	(150 156)	(100 025)
<b>Net cash from/(used in) financing activities</b>		<b>4 849 844</b>	<b>(100 025)</b>
Effect of exchange rate changes on cash and cash equivalents		48 900	1 608 229
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17 931 930</b>	<b>(2 605 327)</b>
Cash and cash equivalents at the beginning of the year	7	30 221 299	32 826 626
<b>Cash and cash equivalents at the end of the year</b>		<b>48 153 229</b>	<b>30 221 299</b>

The notes set out on pages 5 to 54 form an integral part of these financial statements.

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Information in this document represents translation of the financial statements of the Bank prepared in Russian which are official and have unconditional authority

## **1 Introduction**

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 for Bank "ROSSIYA" (the "Bank").

The Bank was registered in June 1990. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

Principal shareholders of the Bank are as follows: 30.33% of the ordinary shares of the Bank are held by the Chairman of Board of Directors of the Bank, Mr. Kovalchuk Yu.V. (2009: 30.43%). 12.27% of ordinary shares are held by JSC Gazprom gas distribution (2009: nil). Mr. Shamalov N.T. and Mr. Gorelov D.V. each hold 10.52% of ordinary shares of the Bank (2009: 12.64% each). 7.97% of ordinary shares are held by LLC TRANSOIL SNG (2009: 9.58%), and 5.98% of ordinary shares are held by CJSC Severgroup (2009: 7.18%). The remaining 22.41% of ordinary shares are widely held (2009: 27.53%). There is no single ultimate party controlling the Bank (2009: none).

The Bank's registered address and principal place of business is: Pl. Rastrelli 2 lit. A, St. Petersburg, 191124 Russian Federation.

The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank received a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") in 2003. The Bank is licensed by the Federal Service for Financial Markets for professional operations on securities markets, depository operations and asset management. The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "On the insurance of household deposits in banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

In August 2010 the Bank completed the merger with Closed Joint-stock Bank Gazenergoprombank (refer to Note 12).

As at 31 December 2010 the Bank had 15 branches across the major regions of the Russian Federation (2009 : 1 branch in Moscow).

**Presentation currency.** These financial statements are presented in Russian Roubles ("RR").

## **2 Operating Environment of the Bank**

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates.

The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased money market liquidity levels.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (refer to Note 29). The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks operating in the Russian Federation.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.