

Open Joint-Stock Company “NOMOS-BANK”

**Condensed Interim Consolidated
Financial Statements (Unaudited)**
For the Six Months Ended 30 June 2011

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OPEN JOINT-STOCK COMPANY "NOMOS-BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Management is responsible for the preparation of the condensed interim consolidated financial statements that presents fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2011 and the consolidated results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in accordance with International Accounting Standard 34 ("IAS 34").

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


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:


- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation ("RF") legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the six months ended 30 June 2011 were authorized for issue by the Supervisory Board of the Bank on 7 September 2011.

On behalf of the Supervisory Board



President
7 September 2011
Moscow



Chief Accountant
7 September 2011
Moscow

INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: Shareholders and the Supervisory Board of Open Joint-Stock Company "NOMOS-BANK":

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group") as at 30 June 2011, the condensed interim consolidated income statements and the condensed interim consolidated statements of comprehensive income, for the three and six months ended 30 June 2011; the condensed interim consolidated statement of changes in equity and the condensed interim statement of cash flows for the six months ended 30 June 2011; and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte & Touche

7 September 2011
Moscow

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)**

	Notes	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Interest income	5,24	24,301	12,503	14,679	7,216
Interest expense	5,24	(11,352)	(5,725)	(8,011)	(3,866)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	5	12,949	6,778	6,668	3,350
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	3	2,648	1,005	-	-
Provision for impairment losses on interest bearing assets	12,14, 24	(4,203)	(2,012)	(2,211)	(669)
NET INTEREST INCOME		11,394	5,771	4,457	2,681
Trading income:	6,24	2,036	1,130	1,848	(41)
Securities		438	6	1,256	(387)
Foreign currency		1,280	1,163	594	323
Precious metals		256	(38)	79	56
Other derivatives		62	(1)	(81)	(33)
Net fee and commission income	7,24	2,601	1,465	895	468
Fee and commission income	7,24	3,403	2,036	1,052	558
Fee and commission expense	7,24	(802)	(571)	(157)	(90)
Net gain on investments available-for-sale		126	151	194	194
Net gain on disposal of loans	12	120	59	717	648
Provision for impairment losses on other transactions		(174)	(278)	(183)	(178)
Impairment of investments available for sale	13	(50)	(29)	(11)	-
Loss from revaluation of investment property		(166)	(2)	(111)	(54)
Other income	24	325	207	339	156
NET NON-INTEREST INCOME		4,818	2,703	3,688	1,193
OPERATING INCOME		16,212	8,474	8,145	3,874
OPERATING EXPENSES	8,24	(8,386)	(4,748)	(3,554)	(1,842)
OPERATING PROFIT BEFORE INCOME TAX		7,826	3,726	4,591	2,032
Income tax expense		(1,647)	(788)	(878)	(372)
NET PROFIT		6,179	2,938	3,713	1,660
Attributable to:					
Equity holders of the parent		5,104	2,553	3,699	1,648
Non-controlling interest		1,075	385	14	12
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles	9	58.15	29.23	45.12	20.10

On behalf of the Supervisory Board



President

7 September 2011
Moscow



Chief Accountant

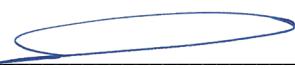
7 September 2011
Moscow

The selected notes on pages 9-56 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)**

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
NET PROFIT	6,179	2,938	3,713	1,660
OTHER COMPREHENSIVE INCOME				
Net change in fair value of investments available-for-sale	46	183	(1)	-
- deferred income tax effect	(9)	(35)	-	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	37	148	(1)	-
TOTAL COMPREHENSIVE INCOME	6,216	3,086	3,712	1,660
Attributable to:				
Equity holders of the parent	5,127	2,632	3,698	1,648
Non-controlling interest	1,089	454	14	12

On behalf of the Supervisory Board



President

7 September 2011
Moscow



Chief Accountant


7 September 2011
Moscow

The selected notes on pages 9-56 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(in million of Russian Roubles)**

	Notes	30 June 2011	31 December 2010
ASSETS			
Cash and balances with the Central Bank of the Russian Federation		19,240	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation		4,891	2,817
Precious metals		7,162	4,677
Financial assets at fair value through profit or loss	10,24	70,660	55,522
Loans and advances to banks and other financial institutions	11,24	47,267	41,577
Loans to customers	12,24	387,821	339,302
Investments available-for-sale	13,24	14,277	25,763
Investments held to maturity	14	733	852
Property, plant and equipment		10,995	10,976
Goodwill		598	598
Intangible assets		3,109	2,602
Other assets	24	5,423	5,042
TOTAL ASSETS		572,176	530,217
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	24	1,282	1,005
Due to banks and the Central Bank of the Russian Federation	15,24	95,702	59,839
Customer accounts	16,24	318,244	313,376
Bonds and Eurobonds	17	33,798	34,412
Promissory notes issued		25,742	33,168
Deferred income tax liabilities		1,284	1,182
Other liabilities	24	3,391	2,209
Subordinated debt	18,24	23,049	27,091
TOTAL LIABILITIES		502,492	472,282
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	19	6,504	6,225
Preference treasury shares	19	(605)	(484)
Share premium	19	20,898	15,859
Property, plant and equipment revaluation reserve		717	717
Revaluation of investments available-for-sale		29	6
Retained earnings		29,624	24,560
Total equity attributable to equity holders of the parent		57,167	46,883
Non-controlling interest		12,517	11,052
Total equity		69,684	57,935
TOTAL LIABILITIES AND EQUITY		572,176	530,217

On behalf of the Supervisory Board



President

7 September 2011

Moscow



Chief Accountant

7 September 2011

Moscow

The selected notes on pages 9-56 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)**

Note	Share capital	Preference treasury shares	Share premium	Property, plant and equipment revaluation reserve	Revaluation of investments available-for-sale	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2009	5,982	-	12,603	592	6	17,388	36,571	41	36,612
Net profit for the period (unaudited)	-	-	-	-	-	3,336	3,336	377	3,713
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	(1)	-	(1)	-	(1)
30 June 2010 (unaudited)	5,982	-	12,603	592	5	20,724	39,906	418	40,324
31 December 2010	6,225	(484)	15,859	717	6	24,560	46,883	11,052	57,935
Net profit for the period (unaudited)	-	-	-	-	-	5,104	5,104	1,075	6,179
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	23	-	23	14	37
Share capital increase (issue of ordinary shares)	279	-	5,039	-	-	-	5,318	-	5,318
Purchase of treasury shares (unaudited)	-	(121)	-	-	-	(40)	(161)	-	(161)
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	376	376
30 June 2011 (unaudited)	6,504	(605)	20,898	717	29	29,624	57,167	12,517	69,684

On behalf of the Supervisory Board

President

7 September 2011
Moscow



Chief Accountant

7 September 2011
Moscow

The selected notes on pages 9-56 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)**

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited) (restated)
Cash flows from operating activities:			
Interest received		23,531	13,572
Interest paid		(8,517)	(8,241)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		1,384	-
Cash received on dealing with securities		915	1,183
Cash received/(paid) on dealing with precious metals		128	(88)
Cash received on dealing with foreign currencies		815	250
Cash paid on dealing with other derivatives		(111)	(26)
Fees and commissions received		3,436	1,052
Fees and commissions paid		(688)	(157)
Other operating income received		311	277
Operating expenses paid		(7,104)	(3,154)
Cash flows from operating activities before changes in operating assets and liabilities		14,100	4,668
Cash Increase/(decrease) from operating assets and liabilities			
Minimum reserve deposits with the Central Bank of the Russian Federation		(2,073)	(369)
Precious metals		(2,576)	(1,460)
Financial assets at fair value through profit or loss		(15,334)	15,757
Loans and advances to banks and other financial institutions		(1,617)	(11,417)
Loans to customers		(53,201)	(8,807)
Other assets		(2,401)	(719)
Due to banks and the Central Bank of the Russian Federation		37,091	(15,863)
Customer accounts		4,558	17,371
Bonds and Eurobonds, net		4,055	-
Promissory notes (redeemed)/issued, net		(8,019)	5,876
Other liabilities		214	(66)
Net cash (used in)/from operating activities before income tax		(25,203)	4,971
Income taxes paid		(1,482)	(435)
Net cash (used in)/from operating activities		(26,685)	4,536
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		(323)	-
Purchase of property, plant and equipment		(569)	(313)
Proceeds from sale of plant and equipment		209	64
Purchase of intangible assets		(226)	(22)
Purchase of available-for-sale financial assets		(8,944)	(4)
Proceeds from sale of available-for-sale financial assets		20,677	198
Dividends received		17	32
Proceeds from sale of non-current assets held-for-sale		2	-
Net cash from/(used in) investing activities		10,843	(45)
Cash flows from financing activities			
Issuance of shares	19	279	-
Share premium		5,039	-
Purchase of treasury shares		(161)	-
Redemption of bonds and Eurobonds		(3,392)	(10,035)
Subordinated debt received		-	11,102
Subordinated debt repaid		(2,625)	(7,864)
Net cash used in financing activities		(860)	(6,797)
Effect of exchange rate changes on cash and cash equivalents		(160)	(66)
Net decrease in cash and cash equivalents		(16,862)	(2,372)
Cash and cash equivalents, beginning of the period		55,260	27,452
Cash and cash equivalents, ending of the period		38,398	25,080

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)


During the reporting period ended 30 June 2011 the Group obtained non-cash settlement for the uncollectible loans to customers, previously originated. These non-cash settlements were excluded from the cash flow statement and presented separately below:

	Notes	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
NON CASH TRANSACTION:			
Loans to customers settled by means of collateral repossession	12	(1,794)	(97)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Investment property	12	1,257	-
Property received as a collateral	12	537	97
Net assets acquired and purchase adjustments in bank acquisition		746	-

For the purpose of cash flow statement preparation cash and cash equivalents comprise of the following components:


	30 June 2011 (RUB million)	30 June 2010 (RUB million) (restated)
Cash and cash equivalents:		
Cash and balances with the Central Bank of the Russian Federation	19,240	12,241
Correspondent accounts with banks	19,158	12,839
Total cash and cash equivalents	38,398	25,080

On behalf of the Supervisory Board



President

7 September 2011
Moscow



Chief Accountant

7 September 2011
Moscow

The selected notes on pages 9-56 form an integral part of the condensed interim consolidated financial statements.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011
(in million of Russian Roubles)

1. ORGANISATION

OJSC "NOMOS-BANK" (the "Bank") is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2209. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 30 June 2011 the Bank had 40 branches operating in the Russian Federation, 1 representative office in the Russian Federation and 1 representative office abroad.

The accompanying consolidated financial statements comprise the accounts of Open Joint Stock Company "NOMOS-BANK" and its subsidiaries (together the "Group"). The condensed interim consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	Notes	The Bank's ownership interest/control (*)		Type of activity
			30 June 2011 %	31 December 2010 %	
OJSC "NOMOS-Bank"	Russian Federation		Parent company	Parent company	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS Siberia"	Russian Federation		100/100	100/100	Banking activity
LLC "Inbank"	Russian Federation		74.15/74.15	74.15/74.15	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation		51.29/51.29 (contractual agreement)	51.29/51.29 (contractual agreement)	Banking activity
BKM Finance Limited	Ireland				Issue of securities
LLC "Yugra-Leasing"	Russian Federation		51.29/100	51.29/100	Finance lease of equipment
LLC "GPF"	Russian Federation		51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation		38.53/75.13	38.53/75.13	Banking activity
LLC "NM-Expert"	Russian Federation		19.90/100	19.90/100	Construction
LLC "Promgazkomplekt"	Russian Federation		100/100	100/100	Office building ownership
OJSC "Promestate"	Russian Federation		100/100	100/100	Office building ownership
CJSC "Sovfintrast"	Russian Federation		100/100	100/100	Investment management
CJSC "Upravlyaushaya kompania aktivami"	Russian Federation		100/100 (contractual agreement)	100/100 (contractual agreement)	Asset management
Nomos Capital Plc.	Ireland				Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	100/100	Office building ownership
LLC "NM-Garant"	Russian Federation		99.9/99.9	99.9/99.9	Investment management
LLC "Leasing-Project"	Russian Federation		100/100	100/100	Finance lease of equipment
LLC "BFK-Invest"	Russian Federation		100/100	100/100	Office building ownership
LLC "Baltaktiv"	Russian Federation		100/100	100/100	Wholesale commerce
LLC "Attenium"	Russian Federation		51/100	-	Investment management
LLC "PS Rapida"	Russian Federation		51/100	-	Payment system
LLC "PC Rapida"	Russian Federation		51/100	-	Processing centre
LLC "Gikor"	Russian Federation		51/100	-	Asset management
LLC "Upravlyaushaya kompania NOMOS BANK"	Russian Federation		100/100	100/100	Asset management
LLC "KN-Estate"	Russian Federation		100/100	100/100	Office building ownership
LLC "Vostok-Capital"	Russian Federation		100/100	100/100	Investment management
LLC "Nedvizhimost Primorya"	Russian Federation		100/100	-	Real estate rent activity

(*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC Nomos Bank;
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group;

Additionally, the Group exercises 100 per cent control over the following investment funds, as contractually stipulated:

- ZPIFVI “Venchnurny fond investitsionnogo i proektnogo finansirovaniya”,
- ZPIFRE “Universal – Real estate fund”,
- ZPIF “KhMB-Capital”,
- OPIF “NOMOS – Fund of shares”,
- OPIF “NOMOS – Fund of bonds”.

As at 30 June 2011 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group’s financial statements.

As at 30 June 2011 and 31 December 2010 the Group had 9,759 employees and 9,408 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within Russian Federation. As at 30 June 2011 and 31 December 2010 the Group had respectively 279 and 300 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the six months ended 30 June 2011 is presented in Note 4.

As at 30 June 2011 and 31 December 2010 the following shareholders owned the issued shares of the Bank:

Shareholders	30 June 2011, %	31 December 2010, %
Shareholders of the Bank (Shareholders of the first level):		
“Russia Finance Corporation B.V.”	26.53	28.24
Custodian for Global Depository Receipts on London Stock Exchange	21.42	-
“Vitalpeake limited”	17.54	18.66
“Lordlaine limited”	13.82	10.04
“Arrowzone limited”	7.95	8.46
“Viewrock limited”	5.05	10.04
“Crisandra holdings Ltd”	4.12	-
“Lobston Enterprises limited” (Cyprus)	-	18.87
CJSC “Yeniseiskaya Investment Company”	-	5.60
Other	3.57	0.09
Total	100.00	100.00

Shareholders	30 June 2011, %	31 December 2010, %
Ultimate shareholders of the Bank:		
Mr. Kellner P.	26.53	28.24
Custodian for Global Depository Receipts on London Stock Exchange	21.42	-
Mr. Nesis A.N.	17.54	18.66
Mr. Gudaytis A.A.	15.88	12.03
Mr. Dobrinov N.I.	7.11	12.03
Mr. Finogenov I.V.	3.90	4.15
Mr. Sokolov D.V.	3.90	4.15
Mr. Petropavlovsky A.F.	0.15	0.16
Mr. Korbachka R.	-	18.87
Mr. Terzian N.	-	1.71
Other	3.57	-
Total	100.00	100.00

Individual shareholder is currently not available therefore presented at custodian level.

As at 30 June 2011 and 31 December 2010 the following companies owned the outstanding preference shares of the Bank:

Shareholders of outstanding preference shares	30 June 2011, %	31 December 2010, %
Shareholders of outstanding preference shares the Bank (Shareholders of the first level):		
“Lobston Enterprises limited” (Cyprus)	-	100.00
Total	-	100.00
Shareholders of outstanding preference shares	30 June 2011 %	31 December 2010, %
Ultimate shareholders of outstanding preference shares the Bank:		
Mr. Korbachka R.	-	100.00
Total	-	100.00

The Group’s subsidiary company LLC “Promgazcomplekt” has repurchased 100% of the Group’s preference shares (12,100 million items). The deal was performed for the purpose of optimization of the Group’s capital structure. The Group has no intention to sell back these shares in the foreseeable future.

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 7 September 2011.

2. BASIS OF PRESENTATION

Accounting basis

This condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). Accordingly, it does not include all of the information required by International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). This condensed interim consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

Since the results of the Group’s operations closely relate to and depend on changing market conditions, the results of the Group’s operations for the interim period are not necessarily indicative of the results for the year.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, and financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

This condensed interim 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. 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. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2010.

Gain/loss on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination included in the consolidated income statement for the six months ended 31 June 2011 represents (a) RUB 1,264 million related to the re-assessment of the expected cash flows from outstanding interest bearing assets which are mainly arising from changes in assessment of the credit quality of the underlying assets as required by paragraph AG 8 in IAS 39 and (b) RUB 1,384 million related to repayment on maturity and/or prepayment of loans to customers of Bank of Khanty-Mansiysk Group, a banking group acquired by Nomos in December 2010.

The transaction costs of an equity transaction such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

There were no new accounting standards adopted from 1 January 2011 which had a material impact in these consolidated interim financial statements.

Restatements and other changes

Policy changes:

During the period the Group has elected to change its policy with respect to classification of the impacts of the foreign exchange gains and losses on the allowance for loan losses of foreign currency denominated loans. In the current period the Group reflected such impacts in the Net (loss)/gain on foreign currency operations. The Group previously included such impacts in the Allowance for Impairment Losses on Interest Bearing Assets. The change in the policy enhances comparability and uniformity of the treatment of the impacts of foreign exchange gains and losses on loans and allowance for loan losses in the statement of financial position and income statement (see Note 12). The management estimated the impact of this classification on the comparative data as immaterial, so the classification was not performed retrospectively.

During the period the Group has also elected to change its presentation of the statement of cash flows from indirect method of cash flow to direct cash flow method as defined under IAS 7 *Statement of Cash Flows*. The change in the presentation enhances the ability of the user to analyze and understand the sources and uses of funds by the Group and align the presentation with the way the Group internally manages and monitors its operations. The Group results periods have been restated for the six months period ended 30 June 2010 to conform to the current policy.

Prior period reclassifications

During the six months ended 30 June 2011, Management of the Group determined that its cash flow statement for the six-month period ended 30 June 2010 was inappropriately presented due to the following:

The Group had omitted from its "Cash and cash equivalents" as presented in the cash flow statement for the six-month period ended 30 June 2010, certain unrestricted correspondent bank accounts.

The following reclassifications/line item modifications have been made as follows:

Cash flow for the six month period ended 30 June 2010:

	<u>As originally stated</u>	<u>Reclassification</u>	<u>As restated</u>
Operating activities:			
Reclass to cash and cash equivalents of fluctuation in correspondent bank accounts previously presented in changes in Loans and advances to banks:	(15,058)	3,641	(11,417)
Net cash from operating activities before income tax	1,364	3,641	5,005

Line item presentations in cash flow:

	<u>As originally stated</u>	<u>Reclassification</u>	<u>As restated</u>
1 January 2010:			
Opening balance, Cash and cash equivalents	21,581	5,871	27,452
30 June 2010:			
Ending balance, Cash and cash equivalents	15,568	9,512	25,080

4. ACQUISITIONS AND DISPOSALS

In April 2011 the Group's subsidiary company CJSC "Sovfintrast" has founded two Open Investment Funds: OPIF "NOMOS – Fund of shares" and OPIF "NOMOS – Fund of bonds". As at 30 June 2011 the Group owns 99.9% units in these investment funds.

In March 2011 the Group has purchased 51% shares of LLC "Attenium" with its wholly-owned subsidiaries – LLC "PS Rapida", LLC "PC Rapida", LLC "Gikor".

The cash outflow relating to the acquisition of shares amounted to RUB 380 million. The net gain from the bargain purchase of RUB 13 million is recognized in the consolidated income statement for the six months ended 30 June 2011. The fair value of the net assets of the company as of the acquisition date is presented below. As at 30 June, 2011 the initial accounting for a business combination is incomplete accordingly the Group reported the provisional amounts currently representing the Group's best estimate of the acquisition date values. Those provisional amounts will be adjusted during the measurement period (not to exceed one year from the acquisition date), to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

	<u>LLC "Attenium"</u>
Assets	
Cash and balances with the Central Bank of the Russian Federation	57
Loans and advances to banks and other financial institutions	468
Investments available-for-sale	3
Property, plant and equipment	12
Intangible assets	681
Other assets	19
Total assets	<u><u>1,240</u></u>
Due to banks and the Central Bank of the Russian Federation	100
Customer accounts	99
Other liabilities	271
Total liabilities	<u><u>470</u></u>
Net assets	<u><u>770</u></u>

	LLC "Attenium"
Parent company's ownership interest (%)	51%
Parent company's ownership interest	393
Consideration paid	380
Goodwill	13

In December 2010 Group acquired 51.29% share in Khanty-Mansiysky Bank Group totalling RUB 12,122 million. The consideration was paid in cash.

5. NET INTEREST INCOME

Net interest income comprises:

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Interest income comprises:				
Interest income on assets recorded at amortized cost	21,199	10,976	12,008	6,057
Interest income on assets at fair value through profit or loss	1,941	1,044	2,619	1,133
Interest income on investments available-for-sale	1,161	483	52	26
Total interest income	24,301	12,503	14,679	7,216
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	18,693	9,772	10,744	5,409
Interest income on reverse repurchase transactions	1,634	817	1,002	510
Interest income on loans and advances to banks and other financial institutions	825	365	206	110
Interest on investments held to maturity	47	22	56	28
Total interest income on assets recorded at amortized cost	21,199	10,976	12,008	6,057
Interest income on assets at fair value through profit or loss:				
Interest income on financial assets at fair value through profit or loss held-for-trading	1,941	1,044	2,619	1,133
Total interest income on assets at fair value through profit or loss	1,941	1,044	2,619	1,133
Interest income on investments available-for-sale	1,161	483	52	26
Total interest income on investments available-for-sale	1,161	483	52	26
Interest expense comprises:				
Interest expense on liabilities recorded at amortized cost	11,352	5,725	8,011	3,866
Total interest expense	11,352	5,725	8,011	3,866

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	6,505	3,179	4,514	2,223
Interest expense on subordinated debt	1,120	553	1,231	655
Interest expense on Bonds and Eurobonds issued	1,326	678	1,093	497
Interest expense on promissory notes issued	1,082	542	457	241
Interest expense on due to banks and the Central Bank of the Russian Federation	995	549	660	223
Interest expense on repurchase transactions	324	224	56	27
Total interest expense on financial liabilities recorded at amortized cost	11,352	5,725	8,011	3,866
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	12,949	6,778	6,668	3,350

6. TRADING INCOME

Trading income comprises:

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Securities recognized at fair value through profit or loss	40	-	-	-
Securities classified as held-for-trading	398	6	1,256	(387)
Securities	438	6	1,256	(387)
Derivatives on foreign currency contracts	2,523	1,331	222	79
Net (loss)/gain on foreign currency operations	(1,243)	(168)	372	244
Foreign currency	1,280	1,163	594	323
Derivatives on precious metals contracts	303	126	(88)	(122)
Net (loss)/gain on precious metals	(47)	(164)	167	178
Precious metals	256	(38)	79	56
Other derivatives contracts	62	(1)	(81)	(33)
Other derivatives	62	(1)	(81)	(33)
Total trading income	2,036	1,130	1,848	(41)

The analysis of trading income is based on how the business is organised and the underlying risks managed. Trading income comprises gains and losses on financial instruments held-for-trading, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts.
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans.
- Precious metals: precious metals operations and precious metals forward contracts.
- Other derivatives: interest rate swap contracts.

7. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Fee and commission income:				
Cash operations	1,056	721	212	115
Settlements	1,233	700	399	212
Documentary operations	724	395	323	166
Foreign currency conversion operations	107	82	-	-
Brokerage operations	56	30	10	5
Operations with precious metals	40	24	59	32
Operations related to underwriting	9	5	2	2
Depository services	3	2	4	2
Other	175	77	43	24
Total fee and commission income	3,403	2,036	1,052	558
Fee and commission expense:				
Settlements	644	474	70	37
Cash operations	57	34	28	15
Documentary operations	53	32	24	12
Securities operations	20	16	10	6
Depository services	6	3	8	4
Other	22	12	17	16
Total fee and commission expense	802	571	157	90
Net fee and commission income	2,601	1,465	895	468

8. OPERATING EXPENSES

Operating expenses comprise:

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Payroll and bonuses	4,208	2,488	1,871	1,004
Unified social tax	888	418	316	123
Amortization of intangible assets	400	223	32	17
Depreciation of property, plant and equipment	386	163	217	109
Taxes other than income tax	349	214	142	76
Rent expenses	292	147	169	84
Stationery and other office expenses	270	125	53	25
Property, plant and equipment maintenance	248	141	146	82
Payments to the Deposit Insurance Fund	224	161	102	52
Advertising expenses	197	148	43	31
Security expenses	152	77	104	54
Telecommunications	127	73	78	41
Professional services	146	130	123	86
Representation expenses	78	62	19	13
Insurance expenses	77	44	10	6
Other expenses	344	134	129	39
Total operating expenses	8,386	4,748	3,554	1,842

In April 2011 the Group has performed the initial public offering (IPO) of its shares, followed by issuance of the new shares via closed subscription by the existing shareholders. The Group has recognized transaction costs related to the issuance of new shares which are accounted for as a deduction from share premium (see Note 19).

The amount of transaction costs related to the listing of the existing shares comprised RUB 215 million and was recorded within operating expenses in the income statement. Transaction costs specifically affected the following operating expenses: payroll, professional services, stationery and office expenses and other expenses.

9. EARNINGS PER SHARE

Earnings per share are presented as follows:

	Six months ended 30 June 2011	Three months ended 30 June 2011	Six months ended 30 June 2010	Three months ended 30 June 2010
Earnings per share related to continuing operations:				
Profit:				
Net profit	6,179	2,938	3,713	1,660
Less:				
Loss on redemption of preference shares	(40)	-	-	-
Non-controlling interest	(1,075)	(385)	(14)	(12)
Net profit attributable to equity holders of the parent	5,064	2,553	3,699	1,648
Weighted average number of ordinary shares for basic and diluted earnings per share	87,092,444	87,336,206	81,984,861	81,984,861
Earnings per share – basic and diluted (RUB)	58.15	29.23	45.12	20.10

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Financial assets held-for-trading:		
Debt securities	64,716	50,335
Equity securities	<u>2,500</u>	<u>1,973</u>
Total financial assets held-for-trading	<u>67,216</u>	<u>52,308</u>
First to default credit-linked notes recognized at fair value through profit or loss	1,089	1,817
Derivative financial instruments	<u>2,355</u>	<u>1,397</u>
Total financial assets at fair value through profit or loss	<u>70,660</u>	<u>55,522</u>

As at 30 June 2011 financial assets held-for-trading comprise:

	<u>30 June 2011</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Bonds and Eurobonds issued by banks	24,375	4.25-15.53%	July 2011 to June 2035
Corporate bonds and Eurobonds	15,682	5.09-19.0%	July 2011 to December 2036
Promissory notes of credit institutions	14,852	-	July 2011 to April 2012
OFZ bonds	7,817	6.55-12%	February 2013 to February 2036
RF Government Eurobonds	1,533	7.5%	March 2030
Municipal bonds	457	8.0-14.0%	September 2012 to April 2014
Corporate shares	<u>2,500</u>	-	-
Total financial assets held-for-trading	<u>67,216</u>		

	<u>30 June 2011</u>	<u>Pledged as collateral with CBR</u>	<u>Pledged under repurchase agreements with banks</u>	<u>Pledged under repurchase agreements with customers</u>	<u>Total collateral</u>
Bonds and Eurobonds issued by banks	24,375	1,337	4,463	-	5,800
Corporate bonds and Eurobonds	15,682	925	3,818	-	4,743
Promissory notes of credit institutions	14,852	-	1,324	-	1,324
OFZ bonds	7,817	474	-	-	474
RF Government Eurobonds	1,533	-	-	-	-
Municipal bonds	457	-	-	-	-
Corporate shares	<u>2,500</u>	-	<u>6,951</u>	<u>2,337</u>	<u>9,288</u>
Total financial assets held-for-trading	<u>67,216</u>	<u>2,736</u>	<u>16,556</u>	<u>2,337</u>	<u>21,629</u>

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 7,120 million discussed in Notes 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 1,771 million as discussed in Note 16.

As at 31 December 2010 financial assets held-for-trading comprise:

	31 December 2010	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	21,455	4.25-12.0%	January 2011 to June 2035
Corporate bonds and Eurobonds	13,596	5.09-18.5%	March 2011 to June 2035
Promissory notes	7,038	-	April 2011 to October 2011
OFZ bonds	52	6.90-7.0%	October 2018 to February 2036
RF Government Eurobonds	5,300	7.5%	March 2030
Municipal bonds	2,894	8.0-19.1%	April 2011 to October 2015
Corporate shares	1,973	-	
Total financial assets held-for-trading	52,308		

	31 December 2010	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	21,455	4,005	-	-	4,005
Corporate bonds and Eurobonds	13,596	914	-	-	914
Promissory notes	7,038	-	-	-	-
OFZ bonds	52	-	-	-	-
RF Government Eurobonds	5,300	-	927	-	927
Municipal bonds	2,894	-	-	-	-
Corporate shares	1,973	-	2,201	1,786	3,987
Total financial assets held-for-trading	52,308	4,919	3,128	1,786	9,833

Included in the table above is the information with regards to assets pledged under repurchase agreements. Included in the amounts are the assets obtained as a result of reverse repurchase agreements with banks and Central Bank of Russian Federation in the amount of RUB 2,135 million discussed in Notes 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 1,786 million as discussed in Note 16.

Promissory notes are represented by promissory notes issued by Russian banks.

Russian State Bonds (OFZ bonds) are Rouble-denominated government securities issued at discount to face value and guaranteed by the Ministry of Finance of the Russian Federation.

RF Government Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally.

Municipal bonds are bonds issued by local authorities of the Russian Federation.

Corporate shares are actively traded shares in the open market issued by Russian companies.

First to default credit-linked notes are USD denominated floating coupon notes issued by major international financial institutions, repayment of which is dependent on certain corporate bonds being repaid by their issuers in full (the "reference bonds"). In case of default of any of the reference bonds, the major international financial institutions have the right to transfer to the Group defaulted bonds with a nominal amount equal to the nominal amount of first to default credit-linked notes held by the Group without any further payments to the Group for these notes.

As at 30 June 2011 first to default credit-linked notes were as follows:

Nominal amount and margin calls		Maturity date	Coupon rate	Reference bonds	30 June 2011 Carrying amount
Nominal currency	Rouble equivalent				
USD 20 million	561,516	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	542
USD 10 million	280,758	20 November 2012	6 month LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	278
USD 10 million	280,758	20 December 2011	6 month LIBOR+ 9.25% per annum	OAO Severstal OAO Alfa-Bank OAO Vypelkom	269
					1,089

As at 31 December 2010 first to default credit-linked notes were as follows:

Nominal amount and margin calls		Maturity date	Coupon rate	Reference bonds	31 December 2010 Carrying amount
Nominal currency	Rouble equivalent				
USD 20 million	609,538	20 March 2011	6 month LIBOR+ 12.75% per annum	OAO Bank VTB OAO Vypelkom OAO Severstal	677
USD 20 million	609,538	20 December 2011	6 month LIBOR+ 6.6% per annum	OAO Gazprom OAO Severstal OAO Evrazholding OAO Mobile Telecommunication Systems OAO Vypelkom	575
USD 10 million	304,769	20 November 2012	6 month LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	279
USD 10 million	304,769	20 December 2011	6 month LIBOR+ 9.25% per annum	OAO Severstal OAO Alfa-Bank OAO Vypelkom	286
					1,817

11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Loans to banks	22,732	24,546
Correspondent accounts with banks	19,157	14,771
Loans under reverse repurchase agreements	<u>5,378</u>	<u>2,260</u>
Total loans and advances to banks and other financial institutions	<u>47,267</u>	<u>41,577</u>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2011 and 31 December 2010 are presented as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Bonds and Eurobonds issued by banks	1,532	1,809	345	421
OFZ bonds	1,430	1,524	1,176	1,275
Promissory notes of credit institutions	1,130	1,147	-	-
Corporate bonds and Eurobonds	528	626	333	409
Promissory notes of companies	395	394	-	-
Corporate shares	304	526	306	492
Municipal bonds	<u>59</u>	<u>70</u>	<u>100</u>	<u>117</u>
Total	<u>5,378</u>	<u>6,096</u>	<u>2,260</u>	<u>2,714</u>

As at 30 June 2011 and 31 December 2010 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with the plastic cards in the amount of RUB 546 million and RUB 551 million, respectively.

The Group's exposure on loans and advances to banks and other financial institutions located in OECD countries as at 30 June 2011 and 31 December 2010 was RUB 4,077 million and RUB 6,270 million respectively, which represents 8.63% and 15.08% of the total loans and advances to banks and other financial institutions balance. There are no other significant exposures to OECD countries on other financial assets.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Loans to legal entities		
Corporate loans	281,221	251,461
Loans under reverse repurchase agreements	48,697	43,471
Small business loans to corporates	24,403	19,973
Net investments in finance lease	2,013	2,145
Lease contracts to individual entrepreneurs	279	139
Total loans to legal entities	356,613	317,189
Loans to individuals		
Mortgage loans	23,652	21,979
Consumer loans	20,814	13,194
Car loans	2,632	2,202
Loans to individual entrepreneurs	340	266
Other	30	30
Total loans to individuals	47,468	37,671
Gross loans to customers	404,081	354,860
Less – Allowance for impairment losses	(16,260)	(15,558)
Total loans to customers	387,821	339,302

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The Group has an internal classification of the loans without the individual indicators of impairment. The loans are classified as:

- Standard loans, representing loans without any indicators of impairment and thus representing the best level of credit quality;
- Watch list loans, representing loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, some factors of deterioration of financial position of the borrower etc., not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 30 June 2011:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	312,595	6,462	306,133	2.07%
- watch list loans	10,388	896	9,492	8.63%
Total loans without individual indicators of impairment	322,983	7,358	315,625	2.28%
Loans with individual indicators of impairment:				
- not past due	1,127	145	982	12.87%
- overdue less than 90 days	850	457	393	53.76%
- overdue more than 90 days and less than 1 year	1,428	1,358	70	95.10%
- overdue more than 1 year	5,543	4,226	1,317	76.24%
Total loans with individual indicators of impairment	8,948	6,186	2,762	69.13%
Total corporate loans	331,931	13,544	318,387	4.08%
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	22,818	606	22,212	2.66%
- watch list loans	536	8	528	1.49%
Total loans without individual indicators of impairment	23,354	614	22,740	2.63%
Loans with individual indicators of impairment:				
- not past due	266	140	126	52.63%
- overdue less than 90 days	98	52	46	53.06%
- overdue more than 90 days and less than 1 year	243	236	7	97.12%
- overdue more than 1 year	721	708	13	98.20%
Total loans with individual indicators of impairment	1,328	1,136	192	85.54%
Total small business loans to corporates	24,682	1,750	22,932	7.09%
Total loans to legal entities	356,613	15,294	341,319	4.29%

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2010:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	269,455	5,115	264,340	1.90%
- watch list loans	13,723	479	13,244	3.49%
Total loans without individual indicators of impairment	<u>283,178</u>	<u>5,594</u>	<u>277,584</u>	<u>1.98%</u>
Loans with individual indicators of impairment:				
- not past due	4,427	1,550	2,877	35.01%
- overdue less than 90 days	2,565	889	1,676	34.66%
- overdue more than 90 days and less than 1 year	1,769	1,410	359	79.72%
- overdue more than 1 year	5,138	3,994	1,144	77.74%
Total loans with individual indicators of impairment	<u>13,899</u>	<u>7,843</u>	<u>6,056</u>	<u>56.43%</u>
Total corporate loans	<u>297,077</u>	<u>13,437</u>	<u>283,640</u>	<u>4.52%</u>
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	18,161	230	17,931	1.27%
- watch list loans	760	19	741	2.45%
Total loans without individual indicators of impairment	<u>18,921</u>	<u>249</u>	<u>18,672</u>	<u>1.31%</u>
Loans with individual indicators of impairment:				
- not past due	329	167	162	50.81%
- overdue less than 90 days	69	52	17	74.88%
- overdue more than 90 days and less than 1 year	107	103	4	96.31%
- overdue more than 1 year	686	677	9	98.80%
Total loans with individual indicators of impairment	<u>1,191</u>	<u>999</u>	<u>192</u>	<u>83.93%</u>
Total small business loans to corporates	<u>20,112</u>	<u>1,248</u>	<u>18,864</u>	<u>6.21%</u>
Total loans to legal entities	<u>317,189</u>	<u>14,685</u>	<u>302,504</u>	<u>4.63%</u>

The following table provides information on loans to individuals as at 30 June 2011:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	22,226	16	22,210	0.07%
- Overdue less than 30 days	572	21	551	3.67%
- Overdue 30-90 days	127	34	93	26.77%
- Overdue 91-180 days	79	45	34	56.96%
- Overdue 181-365 days	197	197	-	100.00%
- Overdue more than 365 days	451	451	-	100.00%
Total mortgage loans	23,652	764	22,888	3.23%
Consumer Loans				
- Not past due	20,247	31	20,216	0.15%
- Overdue less than 30 days	367	28	339	7.63%
- Overdue 30-90 days	131	51	80	38.93%
- Overdue 91-180 days	51	43	8	84.31%
- Overdue 181-365 days	10	10	-	100.00%
- Overdue more than 365 days	8	8	-	100.00%
Total consumer loans	20,814	171	20,643	0.82%
Car Loans				
- Not past due	2,559	2	2,557	0.08%
- Overdue less than 30 days	34	3	31	8.82%
- Overdue 30-90 days	21	3	18	14.29%
- Overdue 91-180 days	9	7	2	77.78%
- Overdue 181-365 days	5	5	-	100.00%
- Overdue more than 365 days	4	4	-	100.00%
Total car loans	2,632	24	2,608	0.91%
Loans to individual entrepreneurs				
- Not past due	340	7	333	2.06%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total loans to individual entrepreneurs	340	7	333	2.06%
Other				
- Not past due	30	-	30	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	30	-	30	0.00%
Total loans to individuals	47,468	966	46,502	2.04%

The following table provides information on loans to individuals as at 31 December 2010:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	20,968	45	20,923	0.22%
- Overdue less than 30 days	95	-	95	0.23%
- Overdue 30-90 days	147	29	118	19.55%
- Overdue 91-180 days	83	38	45	46.03%
- Overdue 181-365 days	192	191	1	99.49%
- Overdue more than 365 days	494	494	-	100.00%
Total mortgage loans	21,979	797	21,182	3.63%
Consumer Loans				
- Not past due	12,988	25	12,963	0.19%
- Overdue less than 30 days	104	1	103	0.83%
- Overdue 30-90 days	50	2	48	4.83%
- Overdue 91-180 days	49	33	16	67.77%
- Overdue 181-365 days	3	-	3	0.04%
- Overdue more than 365 days	-	-	-	0.00%
Total consumer loans	13,194	61	13,133	0.46%
Car Loans				
- Not past due	2,125	3	2,122	0.12%
- Overdue less than 30 days	34	1	33	2.42%
- Overdue 30-90 days	29	3	26	10.90%
- Overdue 91-180 days	14	7	7	54.88%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total car loans	2,202	14	2,188	0.63%
Loans to individual entrepreneurs				
- Not past due	266	1	265	0.25%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total loans to individual entrepreneurs	266	1	265	0.25%
Other				
- Not past due	30	-	30	0.00%
- Overdue less than 30 days	-	-	-	0.00%
- Overdue 30-90 days	-	-	-	0.00%
- Overdue 91-180 days	-	-	-	0.00%
- Overdue 181-365 days	-	-	-	0.00%
- Overdue more than 365 days	-	-	-	0.00%
Total other loans to individuals	30	-	30	0.00%
Total loans to individuals	37,671	873	36,798	2.32%

Movements in allowances for impairment losses for the six months ended 30 June 2011 and 2010 were as follows.

	For the six month ended 30 June	
	2011	2010
As at 1 January	15,558	17,027
Provision charge/release	4,201	2,110
Recovery of bad debt written-off	124	-
Foreign currency revaluation effect	(379)	-
Disposal of loans	(1,185)	(938)
Bad debt written-off	(2,059)	(69)
As at 30 June	16,260	18,130

The Group re-characterized loans to certain borrowers from investing to other sectors in order to align them with borrowers' primary business activities, the change was made retrospectively.

Loans are made principally within Russia in the following industry sectors:

	30 June 2011	31 December 2010
Analysis by industry sector:		
Industrial manufacturing	58,826	60,936
Brokerage and dealing in securities	48,697	42,789
Wholesale trade	48,308	41,054
Individuals	47,468	37,671
Mining	27,415	22,182
Construction of industrial real estate	23,110	15,182
Operations with real estate	22,819	16,259
Leasing	21,726	17,891
Housing construction	20,120	17,014
Retail trade	17,670	12,528
Services	15,130	20,520
Transport and communication	13,597	10,059
Construction of commercial real estate	12,765	12,159
Agriculture	3,655	3,230
Energy	2,624	8,539
Government finance	1,324	1,987
Precious metals extraction	991	1,011
Other	17,836	13,849
Gross loans to customers	404,081	354,860
Less – Allowance for impairment losses	(16,260)	(15,558)
Total loans to customers	387,821	339,302

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	30 June 2011	31 December 2010
Loans collateralized by guarantees of enterprises and banks	101,492	95,022
Loans collateralized by pledge of securities	73,723	66,212
Loans collateralized by pledge of real estate	64,406	50,660
Loans collateralized by pledge of contract proceeds	29,065	30,327
Loans collateralized by pledge of property	24,933	21,121
Loans collateralized by pledge of the Bank's own securities	61	102
Unsecured loans	62,933	53,745
Gross loans to corporate customers	356,613	317,189
Less – Allowance for impairment losses	(15,294)	(14,685)
Total loans to corporate customers	341,319	302,504

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Loans collateralized by pledge of real estate	17,487	18,382
Loans collateralized by guarantees of enterprises	9,828	10,270
Loans collateralized by pledge of vehicles and other property	2,271	2,075
Loans collateralized by pledge of securities	2,170	1,587
Loans collateralized by pledge of contract proceeds	959	471
Loans collateralized by pledge of the Bank's own securities	4	5
Unsecured loans	14,749	4,881
Gross loans to individuals	47,468	37,671
Less – Allowance for impairment losses	(966)	(873)
Total loans to individuals	46,502	36,798

As at 30 June 2011 and 31 December 2010 the Group had property with carrying amount of RUB 537 million and RUB 219 million, respectively, received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the statement of cash flows).

As at 30 June 2011 the Group received investment property amounting to 1,257 million received by taking possession of collateral it held as security for loans to customers (see non-cash transaction disclosure in the statement of cash flows).

As at 30 June 2011 and 31 December 2010 the Group granted loans to three and seven borrowers totalling RUB 33,700 million and RUB 59,011 million, respectively, which exposure individually exceeded 10% of the Group's equity. Borrowers, individually exceeding 10% of the Group equity have good credit history and the loans provided to them are in good book.

As at 30 June 2011 three largest borrowers were classified to the corporate standard loans credit quality category in the amount of RUB 33,700 million. As at 31 December 2010 seven largest borrowers were classified as corporate standard loans credit quality category in the amount of RUB 59,011 million.

As at 30 June 2011 and 31 December 2010 renegotiated loans amounted to RUB 6,033 million and RUB 5,512 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 June 2011 and 31 December 2010 are presented as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Corporate shares	39,956	53,403	33,787	42,381
Bonds issued by banks	5,003	5,062	7,045	7,619
Promissory notes issued by companies	2,121	2,135	832	840
Corporate Eurobonds	982	997	842	832
Corporate bonds	529	583	793	1000
Eurobonds issued by banks	106	103	172	173
Total	48,697	62,283	43,471	52,845

The components of net investment in finance lease as at 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Less than one year	1,476	1,181
From one year to five years	1,404	1,915
More than five years	<u>65</u>	<u>22</u>
Minimum lease payments	2,945	3,118
Less: unearned finance income	<u>(653)</u>	<u>(834)</u>
Net investment in finance lease	<u>2,292</u>	<u>2,284</u>
Current portion	1,044	804
Long-term portion	<u>1,248</u>	<u>1,480</u>
Net investment in finance lease	<u>2,292</u>	<u>2,284</u>

As at 30 June 2011 and 31 December 2010 the Group provided loans to customers in the amount of RUB 5,465 million and of RUB 6,451 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,262 million and RUB 6,363 million, respectively (see Note 16).

During the period ended 30 June and 31 December 2010 the Group sold certain loans to third parties at a discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	<u>Six months ended 30 June 2011</u>	<u>Six months ended 30 June 2010</u>
Fair value of the consideration received	4,211	3,767
Carrying amount net of provisions	<u>(4,091)</u>	<u>(3,050)</u>
Net gain on disposal of loans	<u>120</u>	<u>717</u>

13. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 June 2011 investments available-for-sale comprise:

	<u>30 June 2011</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Units of investment funds	5,635	-	-
Corporate bonds and Eurobonds	2,649	5.9-17%	July 2011 to December 2016
Promissory notes of credit institutions	2,267	2.3-2.4%	July 2011 to October 2011
Bonds of foreign countries	1,839	8.75-8.95%	August 2015 to January 2018
Promissory notes of companies	1,157	8.0%	July 2011 to May 2015
Corporate shares	415	-	-
OFZ bonds	161	8.0%	November 2021
Bonds and Eurobonds issued by banks	153	0-12.5%	October 2011 to December 2017
Share participation in limited liability companies	<u>1</u>	-	-
Total investments available-for-sale	<u>14,277</u>		

	30 June 2011	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Units of investment funds	5,635	-	-	-
Corporate bonds and Eurobonds	2,649	1,844	-	1,843
Promissory notes of credit institutions	2,267	992	-	992
Bonds of foreign countries	1,839	1,136	-	1,136
Promissory notes of companies	1,157	-	-	-
Corporate shares	415	-	8	8
OFZ bonds	161	-	-	-
Bonds and Eurobonds issued by banks	153	-	-	-
Share participation in limited liability companies	1	-	-	-
Total investments available-for-sale	14,277	3,972	8	3,979

As at 31 December 2010 investments available-for-sale comprise:

	31 December 2010	Interest rate to nominal	Maturity date
Promissory notes of credit institutions	10,903	11.3-12.0%	January 2011 to December 2011
Units of investment funds	5,235	-	-
Corporate bonds and Eurobonds	4,725	5.9-13.5%	August 2015 to January 2018
RF Government Eurobonds	1,215	7.5%	March 2030
Promissory notes of companies	1,171	8.0%	June 2011 to May 2015
Bonds and Eurobonds issued by banks	859	7.5-14.9%	October 2011 to October 2016
Bonds of foreign countries	856	8.8%	August 215
Corporate shares	417	-	-
OFZ bonds	209	6.9-8.0%	November 2021 to February 2036
Municipal bonds	151	8.0%	April 2014
Municipal Eurobonds	21	6.5%	October 2011
Share participation in limited liability companies	1	-	-
Total investments available-for-sale	25,763		

	31 December 2010	Pledged under repurchase agreements with banks	Total collateral
Promissory notes of credit institutions	10,903	-	-
Units of investment funds	5,235	-	-
Corporate bonds and Eurobonds	4,725	3,659	3,659
RF Government Eurobonds	1,215	1,215	1,215
Promissory notes of companies	1,171	-	-
Bonds and Eurobonds issued by banks	859	217	217
Bonds of foreign countries	856	646	646
Corporate shares	417	-	-
OFZ bonds	209	-	-
Municipal bonds	151	-	-
Municipal Eurobonds	21	-	-
Share participation in limited liability companies	1	-	-
Total investments available-for-sale	25,763	5,737	5,737

Promissory notes of credit institutions include interest-bearing and discount-bearing securities of large Russian banks.

Units of investment funds included in financial assets available-for-sale as at 30 June 2011 are presented below:

	<u>30 June 2011</u>	<u>31 December 2010</u>
ZPIF Rusnedra	5,626	5,226
OPIF of shares "Troika-Dialog – Dobrynya Nikitich"	<u>9</u>	<u>9</u>
Total units of investment funds	<u>5,635</u>	<u>5,235</u>

Closed unit investment fund of private equity investments ZPIF Rusnedra is managed by LLC Managing Company Fleming Family & Partners and created with the purpose of investing into shares (units) of companies engaged in the production and exploration and holding oil and gas production licenses.

For units in ZPIF Rusnedra, which have no quoted prices in the active market, the Group applies a discounted cash flow method ("DCF Method"). "DCF Method" is a method within the income approach whereby the present value of future expected free cash flows is calculated using a discount rate which reflects the degree of perceived risk associated with achieving the projected results.

The valuation of ZPIF Rusnedra has been derived by projecting free cash flows derived from normalized historical data, internal long-term performance forecast, as well as benchmarking of long-term growth in the industry and the economy. The key variables in the projection included assumptions with respect to future prices, production volumes, extraction costs, operating taxes, depreciation, capital expenditures and working capital investments. Resulting cash flows have been discounted at the rates determined based on market, country, industry and small cap premiums as well as company specific risk factors to arrive at the valuation as of respective balance sheet dates. The Group performed required sensitivity analysis on key assumptions and found them to be within acceptable range.

As at 30 June 2011 and 31 December 2010 bonds and Eurobonds issued by banks include bonds of Russian banks and the Republic of Kazakhstan.

As at 30 June 2011 and 31 December 2010, promissory notes of companies include interest-bearing securities of large Russian companies.

Corporate shares include quoted shares of Russian companies and other investments in unquoted equity instruments.

As at 30 June 2011 and 31 December 2010 OFZ bonds are government securities issued by the Russian Ministry of Finance denominated in the currency of the RF.

Municipal bonds of the Russian Federation include bonds of the Moscow Region Government.

Municipal Eurobonds include bonds of the Moscow Region Government nominated in foreign currency.

For the six months ended 30 June 2011 and 30 June 2010 impairment loss on corporate shares and bonds amounting to RUB 50 million and RUB 11 million, respectively, was recognized.

14. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	Interest rate to nominal	30 June 2011	Interest rate to nominal	31 December 2010
Corporate bonds	7.75-17.0%	1,315	7.75-17.0%	1,311
Municipal bonds	9.0%	524	9.0%	645
OFZ bonds	6.9%	25	6.9%	25
Total investments held to maturity before allowance for impairment losses		1,864		1,981
Less – Allowance for impairment losses		(1,131)		(1,129)
Total investments held to maturity		733		852

Following the adopted amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* the management of the Bank has made the decision dated 31 October 2008 to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from the first of July 2008. The reclassified securities amounted to RUB 2,054 million at the date of reclassification. If the reclassification had not been made, the Group's income statement for the six months ended 30 June 2011 and 2010 would have included unrealized fair value gain on the reclassified debt securities of RUB 402 million and RUB 95 million respectively.

Movements in allowances for impairment losses for the six months ended 30 June 2011 and 2010 were as follows.

	For the six months ended 30 June	
	2011	2010
As at 1 January	1,129	684
Provision charge/release	2	101
As at 30 June	1,131	785

15. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	30 June 2011	31 December 2010
Deposits from banks	67,895	41,167
Loans under repurchase agreements	16,535	6,856
Correspondent accounts of other banks	8,597	8,802
Syndicated loans	2,675	3,014
Total due to banks and the Central Bank of the Russian Federation	95,702	59,839

As at 30 June 2011 and 31 December 2010 carrying value of syndicated loans received by the Group from Russian, OECD and non-OECD banks comprised RUB 2,675 million and RUB 3,014 million, respectively. The contractual maturity of syndicated loan is August 2011, and the interest rate is tied to 6 month LIBOR +2.5%.

As at 30 June 2011 and 31 December 2010 the Group had deposits from one and two banks amounting to RUB 23,473 million and RUB 13,202 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 June 2011 and 31 December 2010 are presented as follows:

	30 June 2011		31 December 2010	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	4,856	5,662	3,018	3,659
Corporate shares	4,468	6,951	1,479	2,201
Bonds and Eurobonds issued by banks	3,977	4,463	190	217
Promissory notes of credit institutions	2,382	2,413	-	-
Bonds of foreign countries	852	1,136	485	646
RF Government Eurobonds	-	-	1,684	2,142
Total	16,535	20,625	6,856	8,865

As at 30 June 2011 the Group received loans under repo agreements which were collateralised by pledge of the Group's promissory notes with fair value RUB 97 million.

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2011	31 December 2010
Term deposits	218,217	222,144
Current accounts	91,934	83,753
Term deposits from Deposit Insurance Agency	6,262	6,363
Loans under repurchase agreements	1,831	1,116
Total customer accounts	318,244	313,376

As at 30 June 2011 and 31 December 2010 the Group received funds from one and from three customers amounting to RUB 15,992 million and RUB 27,160 million, respectively, which individually and aggregate exceeded 10% of the Group's equity.

As at 30 June 2011 and 31 December 2010 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	30 June 2011	31 December 2010
Gold	2,149	3,338
Silver	536	406
Palladium	135	39
Platinum	13	6
Total customer accounts denominated in precious metals	2,833	3,789

As at 30 June 2011 and 31 December 2010 customer accounts amounting to RUB 1,528 million and RUB 1,222 million, respectively, were held as security against other financial transactions by the Group (see Note 20).

As at 30 June 2011 and 31 December 2010 the Group provided loans to customers in the amount of RUB 5,465 million and of RUB 6,451 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,262 million and RUB 6,363 million, respectively (see Note 12).

Analysis of customer accounts by economic sector is presented below:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Individuals	125,191	118,629
Investment and asset management companies	40,503	38,351
Regional and local budgets funds	36,785	27,320
Industrial manufacturing	21,559	19,922
Wholesale trade	16,371	13,314
Services	16,272	16,633
Construction of industrial real estate	11,294	14,285
Energy	8,460	9,141
Insurance	7,499	9,249
Science	7,489	6,459
Operations on real estate	5,366	4,540
Transport and communication	3,558	12,577
Construction of commercial real estate	3,354	3,183
Retail trade	2,519	3,887
Precious metals extraction	2,112	5,767
Brokerage and dealing in securities	1,831	1,116
Leasing	1,752	2,903
Agriculture	436	384
Housing construction	46	108
Other	5,847	5,608
Total customer accounts	<u>318,244</u>	<u>313,376</u>

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 June 2011 and 31 December 2010 are presented as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Corporate shares	1,831	2,345	1,116	1,786
Total	<u>1,831</u>	<u>2,345</u>	<u>1,116</u>	<u>1,786</u>

17. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Bonds issued in local market	17,592	16,678
Eurobonds due in 2013	11,097	12,167
Eurobonds due in 2012	5,109	5,567
Total Bonds and Eurobonds issued	<u>33,798</u>	<u>34,412</u>

Bonds and Eurobonds as at 30 June 2011 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>30 June 2011</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,148
NOMOS, BO-01	Roubles	2011	2014	7.00%	5,119
NOMOS, 11th issue	Roubles	2009	2014	7.40%	3,289
NOMOS, 9th issue	Roubles	2008	2013	7.00%	2,070
1st issue	Roubles	2008	2011	7.00%	1,671
2 nd issue	Roubles	2010	2013	7.85%	295
Total bonds issued					17,592
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,097
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,109
Total Eurobonds issued					16,206
Total bonds and Eurobonds issued					33,798

Bonds and Eurobonds as at 31 December 2010 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2010</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	4,854
NOMOS, 9th issue	Roubles	2008	2013	7.00%	3,770
2 nd issue	Roubles	2010	2013	7.85%	2,379
NOMOS, 11th issue	Roubles	2009	2014	7.40%	2,315
NOMOS, 8th issue	Roubles	2008	2011	9.50%	1,693
1st issue	Roubles	2008	2011	7.00%	1,667
Total bonds issued					16,678
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	12,167
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,567
Total Eurobonds issued					17,734
Total bonds and Eurobonds issued					34,412

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2012 and 2013.

In accordance with the terms of covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as of the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the Central Bank of Russian Federation. The Group has not breached any of these covenants during the periods ended 30 June 2011 and 31 December 2010.

18. SUBORDINATED DEBT

Subordinated debt is presented as follows:

The following table provides information on subordinated debt as at 30 June 2011:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	30 June 2011
Subordinated bonds	US Dollars	2010	2015	8.75%	9,893
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	3,531
Subordinated bonds	US Dollars	2007	2018	11.00%	3,007
Subordinated loan	Roubles	2009	2019	6.50%	1,520
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	34
Subordinated loan	Roubles	2007	2014	10.00%	20
					23,049

The following table provides information on subordinated debt as at 31 December 2010:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2010
Subordinated bonds	US Dollars	2010	2015	8.75%	10,750
Subordinated loan	Roubles	2009	2019	8.00%	4,900
Subordinated bonds	US Dollars	2006	2016	9.75%	3,863
Subordinated bonds	US Dollars	2007	2018	11.00%	3,263
Subordinated loan	Roubles	2009	2019	6.50%	1,493
Subordinated loan	Roubles	2010	2021	9.25%	1,500
Subordinated loan	Roubles	2007	2015	7.85%	650
Subordinated loan	Roubles	2008	2015	7.75%	436
Subordinated loan	Roubles	2010	2016	6.00%	61
Subordinated loan	Roubles	2006	2013	10.00%	45
Subordinated loan	Roubles	2006	2013	10.00%	39
Subordinated loan	Roubles	2010	2016	8.00%	38
Subordinated loan	Roubles	2009	2016	11.30%	34
Subordinated loan	Roubles	2007	2014	10.00%	19
					27,091

19. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount (RUB million)	Preference shares (Number)	Nominal amount (RUB million)
Issued and fully paid				
31 December 2009	81,984,861	4,099	12,100,000	605
30 June 2010	81,984,861	4,099	12,100,000	605
31 December 2010	86,845,973	4,342	2,420,000	121
Reacquired	-	-	(2,420,000)	(121)
Issued	5,576,397	279	-	-
30 June 2011	92,422,370	4,621	-	-

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Group, to receive non-fixed rate dividend income and to receive property belonging to the Group in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

Authorized	Ordinary shares (Number)	Nominal amount (RUB million)	Preference shares (Number)	Nominal amount (RUB million)
31 December 2009	177,815,139	8,891	48,100,000	2,405
30 June 2010	177,815,139	8,891	48,100,000	2,405
31 December 2010	172,954,027	8,648	48,100,000	2,405
Issued	(5,576,397)	(279)	-	-
30 June 2011	167,377,630	8,369	48,100,000	2,405

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

The Group's subsidiary company LLC "Promgazkomplekt" has repurchased 12,100 million items of the Group's preference shares. The financial result from the deal is recognized in consolidated statement of changes in equity. The deal was performed in terms of the Group's organization structure optimization. The Group has no intention to sell back these shares in foreseeable future.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold. Ordinary shares were distributed or sold with a premium of RUB 20,898 million as at 30 June 2011 and 31 December 2010.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

In April 2011 the Group has performed the initial public offering (IPO) of its shares, followed by issuance of the new shares via closed subscription by the existing shareholders. As a result, the Group has received proceeds of RUB 5,500 million in the new share issue.

The Group has recognized transaction costs related to the issuance of new shares in the amount of RUB 182 million, which are accounted for as a deduction from share premium. Net share capital issued comprised RUB 5,318 million. The amount of transaction costs related to the listing of the existing shares comprised RUB 215 million and was recorded within operating expenses in the income statement.

20. 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 consolidated 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 uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2011 and 31 December 2010 allowances for guarantees and other off-balance sheet commitments were RUB 487 million and RUB 324 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

As at 30 June 2011 and 31 December 2010 the nominal or contract amounts and risk-weighted amounts were:

	30 June 2011		31 December 2010	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Commitments on loans and unused credit lines	68,254	491	74,330	18,405
Guarantees issued and similar commitments	95,574	62,197	73,609	73,284
Letters of credit and other contingent commitments related to settlement operations	6,396	3,198	7,626	3,202
Total contingent liabilities and credit commitments	170,224	65,886	155,565	94,891

As at 30 June 2011 and 31 December 2010 letters of credit of RUB 1,528 million and RUB 1,222 million, respectively, were secured by cash deposited in customer accounts (see Note 16).

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 30 June 2011 and 31 December 2010 are presented in the table below.

	30 June 2011	31 December 2010
Not later than 1 year	436	405
Later than 1 year and not later than 5 years	999	817
Later than 5 years	52	205
Total operating lease	1,487	1,427

Fiduciary activities – The Group provides depository services to its customers. As at 30 June 2011 and 31 December 2010 the Group had customers' securities of 13,297,084,315 items, and 2,413,913,716,332 items, respectively, in its nominal holder's accounts.

As at 30 June 2011 and 31 December 2010 the Group kept in its vault 4,564 kg of gold bullion, 4,938 kg of silver bullion, 38 kg of palladium bullion, 91 kg of platinum bullion, and 2,580 kg of gold bullion, 6,413 kg of silver bullion, 29 kg of palladium bullion, 75 kg of platinum bullion respectively, owned by the Group's customers.

As at 30 June 2011 and 31 December 2010 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 25,588 million and RUB 32,905 million, respectively, which are not recognized in the consolidated statement of financial position as the conditions of extraction and customer delivery have not yet occurred.

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 consolidated financial statements.

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.

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. During the six months ended 30 June 2011 and 2010 the Group made payments to the non-government pension fund of RUB 2 million and RUB 1 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

Operating Environment – The Group's principal business activities are within the Russian Federation. Laws and regulations affecting the business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business 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. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Russian Federation and the Russian Federation economy in general.

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected the Russian Federation financial and capital markets in 2008 and 2009 has receded and the Russian Federation economy returned to growth in 2010 and 2011. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Russian Federation economy, adversely affect the Group's access to capital and cost of capital or the Group and, more generally, its business, results of operations, financial condition and prospects.

The Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation) for the six months ended 30 June 2011 and 2010 was 5.0% and 3.2%, respectively.

Because the Russian Federation produces and exports large volumes of oil and gas, the Russian Federation economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during six months of 2011 and 2010.

During the period starting from the 1 January 2011 and till 30 June 2011 the Central Bank of the Russian Federation has established new regulatory requirement applied to the minimum reserve deposits with the CBR. New ratios for minimum reserve deposits with the CBR increased from 2.5%, which was effective as at 31 December 2010 to 4.5%-3.5% during the six month ended 30 June 2011.

21. SEGMENT REPORTING

The Group has restated the segments as at 30 June 2010 and for the periods than ended to align with the following segments description in line with the information provided to the Chief Operating Decision Maker.

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance, where the key measure of segment's performance is its profit before taxation.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2011 Total
External interest income	15,020	1,529	2,890	4,770	92	-	24,301
External interest expense	(3,319)	(201)	(3,087)	(2,568)	(2,177)	-	(11,352)
Internal funding costs/revenues from Central treasury	(4,275)	(111)	2,436	(126)	2,069	7	-
Net interest income	7,426	1,217	2,239	2,076	(16)	7	12,949
Impairment of interest-bearing assets	(1,514)	45	(97)	12	-	(1)	(1,555)
Net interest income after provision	5,912	1,262	2,142	2,088	(16)	6	11,394
Fee and commission income	1,192	529	1,444	228	10	-	3,403
Fee and commission expense	(72)	(12)	(496)	(157)	(64)	(1)	(802)
Trading and foreign exchange results	436	20	98	1,324	284	-	2,162
Other operating income	144	20	76	59	5	141	445
Net result from other segments*	(82)	(9)	23	(138)	206	-	-
Total operating income before impairment losses and provision	7,530	1,810	3,287	3,404	425	146	16,602
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	69	(88)	(39)	(138)	-	(194)	(390)
Operating expense	(2,033)	(1,165)	(3,015)	(527)	(122)	(1,524)	(8,386)
Profit before taxation	5,566	557	233	2,739	303	(1,572)	7,826
Income tax	-	-	-	-	-	(1,647)	(1,647)
Profit for the period	5,566	557	233	2,739	303	(3,219)	6,179
Depreciation and amortization expense	(173)	(108)	(359)	(31)	(10)	(105)	(786)
Capital expenditures	179	108	330	32	11	135	795

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	30 June 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	9,120	284	9,832	4	19,240
Minimum reserve deposits with CBR	736	95	675	193	3,192	-	4,891
Precious metals	7,150	-	12	-	-	-	7,162
Financial assets at fair value through profit or loss	730	-	-	69,793	137	-	70,660
Loans and advances to banks and other financial institutions	18	-	1,957	30,995	14,297	-	47,267
Loans to customers	277,552	23,159	46,214	40,866	-	30	387,821
Investments available-for-sale	5,626	-	-	8,647	4	-	14,277
Investments held to maturity	-	-	-	733	-	-	733
Property, plant and equipment	2,397	1,411	4,011	434	605	2,137	10,995
Intangible assets	439	303	2,086	71	16	194	3,109
Goodwill	-	-	-	-	-	598	598
Other assets	1,774	35	298	1,132	85	2,099	5,423
TOTAL ASSETS	296,422	25,003	64,373	153,148	28,168	5,062	572,176
LIABILITIES							
Financial liabilities at fair value through profit or loss	55	-	-	1,179	48	-	1,282
Due to banks and the Central Bank of the Russian Federation	14,144	3,168	251	75,453	2,686	-	95,702
Customer accounts	147,462	18,404	125,593	11,122	15,646	17	318,244
Bonds and Eurobonds	-	-	-	17,592	16,206	-	33,798
Promissory notes issued	12,254	438	88	12,962	-	-	25,742
Deferred income tax liabilities	-	-	-	-	-	1,284	1,284
Other liabilities	685	159	384	370	21	1,772	3,391
Subordinated debt	-	-	-	-	23,049	-	23,049
TOTAL LIABILITIES	174,600	22,169	126,316	118,678	57,656	3,073	502,492

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2010 Total
External interest income	9,777	519	889	2,823	671	-	14,679
External interest expense	(1,845)	(38)	(2,194)	(1,380)	(2,554)	-	(8,011)
Internal funding costs/revenues from Central treasury	(4,635)	(201)	1,986	233	2,611	6	-
Net interest income	3,297	280	681	1,676	728	6	6,668
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,977)	(47)	(83)	(104)	-	-	(2,211)
Net interest income after provision	1,320	233	598	1,572	728	6	4,457
Fee and commission income	695	128	189	37	3	-	1,052
Fee and commission expense	(40)	-	(70)	(26)	(21)	-	(157)
Trading and foreign exchange results	183	13	34	1,939	(127)	-	2,042
Other operating income	866	21	71	66	1	31	1,056
Net result from other segments *	(10)	3	2	238	(233)	-	-
Total operating income before impairment losses and provision	3,014	398	824	3,826	351	37	8,450
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	12	(26)	(3)	(289)	-	1	(305)
Operating expenses and Impairment of buildings and constructions	(1,116)	(508)	(1,093)	(280)	(39)	(518)	(3,554)
Profit before taxation	1,910	(136)	(272)	3,257	312	(480)	4,591
Income tax	-	-	-	-	-	(878)	(878)
Profit for the period	1,910	(136)	(272)	3,257	312	(1,358)	3,713
Depreciation and amortization expense	(86)	(37)	(66)	(20)	(3)	(37)	(249)
Capital expenditures	105	48	103	26	4	49	335

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	10,076	12,898	17,512	3	40,489
Minimum reserve deposits with CBR	342	71	385	255	1,764	-	2,817
Precious metals	4,661	-	16	-	-	-	4,677
Financial assets at fair value through profit or loss	54	-	-	55,468	-	-	55,522
Loans and advances to banks and other financial institutions	110	-	1,078	34,151	5,891	347	41,577
Loans to customers	248,580	19,129	36,533	35,051	-	9	339,302
Investments available-for-sale	5,226	-	-	20,007	3	527	25,763
Investments held to maturity	-	-	-	852	-	-	852
Property, plant and equipment	3,296	1,644	3,802	1,187	169	878	10,976
Goodwill	-	-	-	-	-	598	598
Intangible assets	549	147	962	390	106	448	2,602
Other assets	1,673	134	121	1,596	-	1,518	5,042
TOTAL ASSETS	264,491	21,125	52,973	161,855	25,445	4,328	530,217
LIABILITIES							
Financial liabilities at fair value through profit or loss	9	-	-	996	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	9,821	2,500	579	43,926	3,013	-	59,839
Customer accounts	146,653	21,989	120,088	2,684	21,949	13	313,376
Bonds and Eurobonds	-	-	-	16,678	17,734	-	34,412
Promissory notes issued	12,971	77	41	20,079	-	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	764	64	169	23	2	1,187	2,209
Subordinated debt	-	-	-	-	27,091	-	27,091
TOTAL LIABILITIES	170,218	24,630	120,877	84,386	69,789	2,382	472,282

22. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is “core” bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is “supplementary” bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

The table below presents the composition of capital complying with Basel and discloses the capital – adequacy ratio for the reporting periods ended 30 June 2011 and 31 December 2010:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Tier 1 capital	68,341	56,614
Tier 2 capital	<u>22,139</u>	<u>26,660</u>
Total regulatory capital	<u>90,480</u>	<u>83,274</u>
Risk-weighted assets:		
Credit risks	488,243	478,827
Market risks	<u>65,717</u>	<u>54,500</u>
Total risk-weighted assets	<u>553,960</u>	<u>533,327</u>
Basel ratio	16.33%	15.61%
Tier 1	<u>12.34%</u>	<u>10.62%</u>

During the six months ended 30 June 2011 the Group changed the credit conversion factors applied to customer guarantees in the calculation of risk-weighted assets from 100% to 50% as such guarantees bear lower credit risk compared to direct credit substitutes. The management estimated the impact of this change on the comparative data as immaterial, so the change was not performed retrospectively.

As at 30 June 2011 and 31 December 2010 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group’s liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord 1988. As at 30 June 2011 and 31 December 2010, the Group complied with Basel capital requirements.

The Bank’s overall capital management policy is aimed at the dynamic optimization of capital required for the Bank’s expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders’ vision and strategy of long-term Bank development.

23. RISK MANAGEMENT POLICY

Risk management system

Market risk

Market risk – the risk of losses due to adverse fluctuations in market value of financial instruments (including derivatives), foreign exchange rates, the cost of precious metals and interest rates.

Market risk includes price, currency and interest rate risk. The Group incurs foreign currency risk due to the presence of open positions in currencies and precious metals, interest rate and stock – with the opening of positions in interest rate and equity financial instruments and risk of general and specific market movements.

Market risks are managed by the Financial markets department, Precious metals department, Treasury department and Financial and Market risk department.

Department of Market and Operational Risk assesses the Group's exposure to foreign currency and price risk. Treasury department assesses interest rate sensitivity and sets guidelines for the interest rate risks.

Value-at-risk methodology adopted by the Group for risk measurement purposes

The Group applies Value-at-Risk (VaR) methodology to assess its exposure to currency and price risk. VaR is the maximum volume of loss for the concerned position of financial instrument/ portfolio/ transaction that may arise during a given period of time with a given probability. The loss value is estimated based on statistical and probabilistic analysis.

The Group assumed the accuracy of assessing the maximum value at risk (confidence level) at 99%.

To exercise control over the adequacy of measuring the above exposures the Group uses backtesting procedure that allows determining the extent to which risk assessment model corresponds to the real market situation.

As part of works to prepare this consolidated financial statements the Financial and Market risk department assessed VaR with regard to the Group's currency position in terms of key currencies and gold and the Group's market (price) risk inherent in the securities portfolio as of 30 June 2011 and 31 December 2010 based on the data in consolidated financial statements.

RUB thousand	30 June 2011			Six months ended
	minimum	average	maximum	
Currency risk	22	78	129	85
Fixed income securities price risk	389	429	472	403
Equity securities price risk	201	220	258	210

RUB thousand	31 December 2010			Year end
	minimum	average	maximum	
Currency risk	15	191	348	56
Fixed income securities price risk	278	694	1,559	896
Equity securities price risk	49	145	422	94

Although VaR is rather efficient as a risk measurement method this efficiency may be limited, especially in the conditions of low liquidity markets:

- Use of historical data to assess future events fails to take into account all the scenarios possible, especially extraordinary ones;
- Use of 99% confidence level disregards losses that may occur outside of this confidence range;
- VaR calculated based on business day results disregards fluctuations that could have taken place throughout the day.

In view of the above, the Group applies other risk measurement methods as well: gap analysis for interest rate risk, and net interest income sensitivity analysis.

Foreign 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 effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk as at 30 June 2011 is presented in the table below:

	RUB	USD 1 USD = RUB 28.0758	Euro 1 EUR = RUB 40.3870	Gold 1 ounce = RUB 42,268.12	Other	30 June 2011 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	17,797	749	677	-	17	19,240
Minimum reserve deposits with the Central Bank of the Russian Federation	4,891	-	-	-	-	4,891
Financial assets at fair value through profit or loss	43,749	26,245	275	326	65	70,660
Loans and advances to banks and other financial institutions	22,147	17,609	7,107	26	378	47,267
Loans to customers	259,586	109,054	19,082	-	99	387,821
Investments available-for-sale	10,407	3,763	107	-	-	14,277
Investments held to maturity	733	-	-	-	-	733
Other financial assets	629	228	250	-	17	1,124
TOTAL FINANCIAL ASSETS	359,939	157,648	27,498	352	576	546,013
Precious metals	-	-	-	6,612	550	7,162
Property, plant and equipment	10,995	-	-	-	-	10,995
Goodwill	598	-	-	-	-	598
Intangible assets	3,109	-	-	-	-	3,109
Other non-financial assets	4,146	14	18	40	81	4,299
TOTAL NON-FINANCIAL ASSETS	18,848	14	18	6,652	631	26,163
TOTAL ASSETS	378,787	157,662	27,516	7,004	1,207	572,176

	USD 1 USD = RUB	Euro 1 EUR = RUB	Gold 1 ounce = RUB	Other	30 June 2011 Total	
RUB	28.0758	40.3870	42,268.12			
LIABILITIES						
Financial liabilities at fair value through profit or loss	686	375	151	43	27	1,282
Due to banks and the Central Bank of the Russian Federation	41,570	23,962	18,859	11,132	179	95,702
Customer accounts	276,857	21,607	16,774	2,149	857	318,244
Bonds and Eurobonds	17,592	16,206	-	-	-	33,798
Promissory notes issued	24,131	169	1,442	-	-	25,742
Other financial liabilities	1,752	164	19	6	15	1,956
Subordinated debt	6,618	16,431	-	-	-	23,049
TOTAL FINANCIAL LIABILITIES	369,206	78,914	37,245	13,330	1,078	499,773
Deferred income tax liabilities	1,284	-	-	-	-	1,284
Other non-financial liabilities	1,416	6	9	-	4	1,435
TOTAL NON-FINANCIAL LIABILITIES	2,700	6	9	-	4	2,719
TOTAL LIABILITIES	371,906	78,920	37,254	13,330	1,082	502,492
OPEN BALANCE SHEET POSITION	6,881	78,742	(9,738)	(6,326)	125	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(79,999)	(141,861)	(21,682)	(6,924)	(5,580)	(256,046)
Receivables under forward deals	118,412	91,132	27,799	13,018	5,685	256,046
Payables under spot deals	(18,307)	(45,443)	(7,249)	(255)	(5,886)	(77,140)
Receivables under spot deals	32,026	29,907	9,132	184	5,891	77,140
Payables under futures contracts	-	(13,247)	-	-	-	(13,247)
Receivables under futures contracts	13,247	-	-	-	-	13,247
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	65,379	(79,512)	8,000	6,023	110	
TOTAL OPEN POSITION	72,260	(770)	(1,738)	(303)	235	
CREDIT CONTINGENT LIABILITIES	153,045	8,811	8,210	-	158	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2010 is presented in the table below:

	RUB	USD 1 USD = RUB 30.4769	Euro 1 EUR = RUB 40.3331	Gold 1 ounce = RUB 42,980.05	Other	31 December 2010 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	39,007	791	682	-	9	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	2,817	-	-	-	-	2,817
Financial assets at fair value through profit or loss	32,339	22,844	281	54	4	55,522
Loans and advances to banks and other financial institutions	14,174	16,497	10,526	4	376	41,577
Loans to customers	219,304	103,573	16,285	-	140	339,302
Investments available-for-sale	21,096	4,559	108	-	-	25,763
Investments held to maturity	852	-	-	-	-	852
Other financial assets	1,578	15	111	-	1	1,705
TOTAL FINANCIAL ASSETS	331,167	148,279	27,993	58	530	508,027
Precious metals	-	-	-	4,189	488	4,677
Property, plant and equipment	10,976	-	-	-	-	10,976
Goodwill	598	-	-	-	-	598
Intangible assets	2,602	-	-	-	-	2,602
Other non-financial assets	3,150	67	22	39	59	3,337
TOTAL NON-FINANCIAL ASSETS	17,326	67	22	4,228	547	22,190
TOTAL ASSETS	348,493	148,346	28,015	4,286	1,077	530,217
LIABILITIES						
Financial liabilities at fair value through profit or loss	592	271	126	12	4	1,005
Due to banks and the Central Bank of the Russian Federation	17,820	20,892	20,485	583	59	59,839
Customer accounts	266,837	27,959	14,577	3,338	665	313,376
Bonds and Eurobonds	16,678	17,734	-	-	-	34,412
Promissory notes issued	31,164	621	1,383	-	-	33,168
Other financial liabilities	1,240	12	-	-	-	1,252
Subordinated debt	9,215	17,876	-	-	-	27,091
TOTAL FINANCIAL LIABILITIES	343,546	85,365	36,571	3,933	728	470,143
Deferred income tax liabilities	1,182	-	-	-	-	1,182
Other non-financial liabilities	948	2	7	-	-	957
TOTAL NON-FINANCIAL LIABILITIES	2,130	2	7	-	-	2,139
TOTAL LIABILITIES	345,676	85,367	36,578	3,933	728	472,282
OPEN BALANCE SHEET POSITION	2,817	62,979	(8,563)	353	349	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(49,985)	(119,585)	(14,341)	(3,326)	(1,685)	(188,922)
Receivables under forward deals	105,201	56,570	22,477	3,100	1,574	188,922
Payables under spot deals	(3,830)	(5,023)	(244)	-	(14)	(9,111)
Receivables under spot deals	4,943	3,910	244	-	14	9,111
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	56,329	(64,128)	8,136	(226)	(111)	
TOTAL OPEN POSITION	59,146	(1,149)	(427)	127	238	
CREDIT CONTINGENT LIABILITIES	126,025	18,772	10,532	-	236	

The Group's principal cash flows (revenues, operating expenses) are largely generated in Russian Roubles. As a result, future movements in the exchange rate between the Russian Rouble and US dollar/Euro will affect the carrying value of the Group's monetary assets and liabilities. Such changes may also affect the Group's ability to invest in non-monetary assets as measured in US dollars in these financial statements.

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. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The above data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russia. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

While financial assets at fair value through profit or loss are shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are re-priced only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	19,240	-	-	-	-	-	19,240
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	4,891	4,891
Precious metals	7,162	-	-	-	-	-	7,162
Financial assets at fair value through profit or loss	67,804	237	2,171	448	-	-	70,660
Loans and advances to banks and other financial institutions	35,487	3,295	8,485	-	-	-	47,267
Loans to customers	38,217	41,004	140,351	137,568	30,681	-	387,821
Investments available-for-sale	1,992	1,365	1,784	1,692	1,427	6,017	14,277
Investments held to maturity	-	-	184	524	25	-	733
Property, plant and equipment	-	-	-	-	-	10,995	10,995
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	3,109	3,109
Other assets	1,111	267	1,492	2,414	95	44	5,423
TOTAL ASSETS	171,013	46,168	154,467	142,646	32,228	25,654	572,176
LIABILITIES							
Financial liabilities at fair value through profit or loss	445	140	570	127	-	-	1,282
Due to banks and the Central Bank of the Russian Federation	46,513	5,075	32,102	9,794	2,218	-	95,702
Customer accounts	137,805	59,608	99,196	21,613	22	-	318,244
Bonds and Eurobonds	113	270	1,865	26,551	4,999	-	33,798
Promissory notes issued	3,952	3,665	16,237	1,888	-	-	25,742
Deferred income tax liabilities	-	-	-	-	-	1,284	1,284
Other liabilities	2,142	599	472	150	5	23	3,391
Subordinated debt	-	-	252	9,852	12,945	-	23,049
TOTAL LIABILITIES	190,970	69,357	150,694	69,975	20,189	1,307	502,492
Liquidity gap	(19,957)	(23,189)	3,773	72,671	12,039	-	-

As at 30 June 2011 and 31 December 2010 the overdraft and overnight credit agreements with the Central Bank of the Russian Federation facilities were not used.

	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 2010 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	40,489	-	-	-	-	-	40,489
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	2,817	2,817
Precious metals	4,677	-	-	-	-	-	4,677
Financial assets at fair value through profit or loss	53,166	837	1,125	394	-	-	55,522
Loans and advances to banks and other financial institutions	28,737	3,968	6,781	2,091	-	-	41,577
Loans to customers	48,120	28,774	107,830	126,899	27,679	-	339,302
Investments available-for-sale	1,845	6,959	3,938	9,734	3,287	-	25,763
Investments held to maturity	-	-	-	827	25	-	852
Property, plant and equipment	-	-	-	-	-	10,976	10,976
Goodwill	-	-	-	-	-	598	598
Intangible assets	-	-	-	-	-	2,602	2,602
Other assets	1,792	303	2,714	121	98	14	5,042
TOTAL ASSETS	178,826	40,841	122,388	140,066	31,089	17,007	530,217
LIABILITIES							
Financial liabilities at fair value through profit or loss	289	120	422	174	-	-	1,005
Due to banks and the Central Bank of the Russian Federation	25,613	7,233	15,237	8,428	3,328	-	59,839
Customer accounts	135,438	46,614	109,545	21,771	8	-	313,376
Bonds and Eurobonds	80	1,835	1,874	25,911	4,712	-	34,412
Promissory notes issued	2,682	4,327	24,395	1,761	3	-	33,168
Deferred income tax liabilities	-	-	-	-	-	1,182	1,182
Other liabilities	787	258	888	273	3	-	2,209
Subordinated debt	-	-	272	11,749	15,070	-	27,091
TOTAL LIABILITIES	164,889	60,387	152,633	70,067	23,124	1,182	472,282
Liquidity gap	13,937	(19,546)	(30,245)	69,999	7,965	-	-

24. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 *Related party disclosures*, represent:

- Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
- Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- Parties with joint control over the Group;
- Joint ventures in which the Group is a venture; and
- Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

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

The Group had the following transactions outstanding as at 30 June 2011 and 31 December 2010 with related parties:

	30 June 2011			31 December 2010		
	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption
Financial assets at fair value through profit or loss	4,289		70,660	2,902		55,522
Debt securities						
- companies controlled by shareholders	3,976	8.83%		2,703	7.23%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	313			199		
Loans and advances to banks and other financial institutions	24		47,267	17		41,577
Correspondent accounts with banks						
- companies controlled by shareholders	24			17		
Loans to customers, gross	23,455		404,081	27,244		354,860
- entities under common control	6,730	11.75%		9,521	10.30%	
- companies controlled by shareholders	16,725	9.76%		17,723	10.06%	
Allowance for impairment of loans to customers	(182)		(16,260)	(83)		(15,558)
- entities under common control	(2)			-		
- companies controlled by shareholders	(180)			(83)		
Investments available-for-sale	350		14,277	-		25,763
Debt securities						
- entities under common control	-			-		
Equity securities						
- entities under common control	350			-		
- companies controlled by shareholders						
Other assets	57		5,423	-		5,042
- companies controlled by shareholders	57			-		
Financial liabilities at fair value through profit or loss	110		1,282	15		1,005
- companies controlled by shareholders	110			15		
Due to banks and the Central Bank of the Russian Federation	279		95,702	1,691		59,839
Time deposits from banks						
- companies controlled by shareholders	277	3.05%		1,527	4.16%	
Correspondent accounts of other banks						
- companies controlled by shareholders	2			164		

	30 June 2011			31 December 2010		
	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption	Related party balances	Weighted average effective interest, %	Total category as per financial statements caption
Customer accounts	12,569		318,244	13,016		313,376
Time deposits						
- <i>shareholders of the Group</i>	170	3.77%		1,226	8.21%	
- <i>entities under common control</i>	-	-		43	5.79%	
- <i>companies controlled by shareholders</i>	9,404	5.08%		8,022	7.45%	
Repayable on demand						
- <i>shareholders of the Group</i>	1			16		
- <i>entities under common control</i>	188			54		
- <i>companies controlled by shareholders</i>	2,806			3,655		
Other liabilities	157		3,391	34		2,209
- <i>entities under common control</i>				-		
- <i>key management personnel</i>	156			22		
- <i>companies controlled by shareholders</i>	1			12		
Subordinated debt	-		23,049	2,586		27,091
- <i>shareholders of the Group</i>	-			1,500	6.74%	
- <i>companies controlled by shareholders</i>	-			1,086	6.34%	
Commitments on loans and unused credit lines	1,720		68,254	9,005		74,330
- <i>shareholders of the Group</i>	-			1		
- <i>companies controlled by shareholders</i>	1,720			9,004		
Guarantees issued and similar commitments	75		95,574	409		73,609
- <i>companies controlled by shareholders</i>	75			409		
Letters of credit and other contingent commitments related to settlement operations	125		6,396	-		7,626
- <i>companies controlled by shareholders</i>	125			-		
			Six months ended 30 June 2011			Six months ended 30 June 2010
	Key management personnel		Total for the Group	Key management personnel		Total for the Group
Key management personnel compensation:			4,208			1,871
- <i>salary</i>	124			50		
- <i>bonuses</i>	247			17		
- <i>contribution to non-government pension fund</i>	1			-		

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		24,301		14,679
- entities under common control	30		-	
- companies controlled by shareholders	1,191		703	
Interest expense		(11,352)		(8,011)
- shareholders of the Group	(87)		(382)	
- entities under common control	(106)		(5)	
- companies controlled by shareholders	(180)		(402)	
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		2,648		-
- entities under common control	197		-	
- companies controlled by shareholders	757		-	
Allowance for impairment losses on interest bearing assets		(4,203)		(2,211)
- companies controlled by shareholders	(99)		(43)	
Trading income		2,036		1,848
- shareholders of the Group	19		(99)	
- – entities under common control				
- companies controlled by shareholders	(666)		200	
Fees and commission income		3,403		1,052
- shareholders of the Group	1		-	
- entities under common control	-		-	
- companies controlled by shareholders	65		51	
Fees and commission expense		(802)		(157)
- entities under common control	(7)		(10)	
- companies controlled by shareholders	-		(3)	
Other income		325		339
- entities under common control	-		1	
- companies controlled by shareholders	13		1	
Operating expenses		(8,386)		(3,554)
- key management personnel	(394)		(67)	
- entities under common control	-		(2)	
- companies controlled by shareholders	(41)		-	

	Three months ended 30 June 2011		Three months ended 30 June 2010	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
Key management personnel compensation:		2,488		1,004
- salary	68		32	
- bonuses	190		14	
- contribution to non-government pension fund	1		-	

	Three months ended 30 June 2011		Three months ended 30 June 2010	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		12,503		7,216
- entities under common control	30		-	
- companies controlled by shareholders	621		329	
Interest expense		(5,725)		(3,866)
- shareholders of the Group	(40)		(138)	
- entities under common control	(106)		(2)	
- companies controlled by shareholders	(31)		(176)	
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		1,005		-
- companies controlled by shareholders	502		-	
Allowance for impairment losses on interest bearing assets		(2,012)		(669)
- entities under common control	2		-	
- companies controlled by shareholders	286		(44)	
Trading income		1,130		(41)
- shareholders of the Group	(21)		(347)	
- companies controlled by shareholders	(44)		(57)	
Fees and commission income		2,036		558
- companies controlled by shareholders	33		24	
Fees and commission expense		(571)		(90)
- entities under common control	-		(10)	
- companies controlled by shareholders	-		-	
Other income		207		156
- entities under common control	-		1	
- companies controlled by shareholders	7		1	
Operating expenses		(4,748)		(1,842)
- key management personnel	(277)		(46)	
- entities under common control	-		(1)	
- companies controlled by shareholders	(17)		-	