

Open Joint-Stock Company “NOMOS-BANK”

**Condensed Interim Consolidated
Financial Statements (Unaudited)**
For the Six Months Ended 30 June 2012

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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 2012

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company "NOMOS-BANK" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2012 and the 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"), *Interim Financial Reporting*.

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 2012 were authorized for issue by the Supervisory Board of the Bank on 3 September 2012.

On behalf of the Supervisory Board

President
3 September 2012
Moscow

Chief Accountant
3 September 2012
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 financial statements of Open Joint-Stock Company "NOMOS-BANK" and its subsidiaries (the "Group"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2012, the condensed interim consolidated income statement, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in equity and the condensed interim consolidated statement of cash flows for the six months ended 30 June 2012, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("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 consolidated 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.

Deloitte & Touche

3 September 2012
Moscow


CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)
(in million of Russian Roubles)

	Notes	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
Interest income	5,24	30,768	15,969	24,301	12,503
Interest expense	5,24	(15,808)	(8,315)	(11,352)	(5,725)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	5	14,960	7,654	12,949	6,778
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination	3, 24	559	133	2,648	1,005
Provision for impairment losses on interest bearing assets	12, 14, 24	(2,153)	(796)	(4,203)	(2,012)
NET INTEREST INCOME		13,366	6,991	11,394	5,771
Trading income:	6,24	1,766	369	2,036	1,130
Securities		694	(220)	438	6
Foreign currency		816	434	1,280	1,163
Precious metals		273	170	256	(38)
Other derivatives		(17)	(15)	62	(1)
Net fee and commission income	7,24	3,602	1,924	2,613	1,474
Fee and commission income	7,24	4,882	2,603	3,415	2,045
Fee and commission expense	7,24	(1,280)	(679)	(802)	(571)
Net (loss)/gain on investments available-for-sale		(18)	(16)	126	151
Net gain on disposal of loans	12	760	676	120	59
Recovery of/(provision for) impairment losses on other transactions		192	202	(174)	(278)
Impairment of investments available for sale		-	-	(50)	(29)
Loss from revaluation of investment property		(11)	(5)	(166)	(2)
Other income	24	510	261	252	196
NET NON-INTEREST INCOME		6,801	3,411	4,818	2,703
OPERATING INCOME		20,167	10,402	16,212	8,474
OPERATING EXPENSES	8,24	(9,610)	(5,010)	(8,325)	(4,746)
OPERATING PROFIT BEFORE INCOME TAX		10,557	5,392	7,826	3,726
Income tax expense		(2,264)	(1,147)	(1,647)	(788)
NET PROFIT		8,293	4,245	6,179	2,938
Attributable to:					
Equity holders of the parent		7,066	3,848	5,104	2,553
Non-controlling interest		1,227	397	1,075	385
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles	9	76.45	41.63	58.15	29.23

On behalf of the Supervisory Board

 President

3 September 2012
 Moscow



 Chief Accountant

3 September 2012
 Moscow

The selected notes on pages 9-51 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 2012 (UNAUDITED)
(in million of Russian Roubles)

	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
NET PROFIT	8,293	4,245	6,179	2,938
OTHER COMPREHENSIVE INCOME				
Net change in fair value of investments available-for-sale	425	74	46	183
- deferred income tax effect	(85)	(15)	(9)	(35)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	340	59	37	148
TOTAL COMPREHENSIVE INCOME	8,633	4,304	6,216	3,086
Attributable to:				
Equity holders of the parent	7,258	3,861	5,127	2,632
Non-controlling interest	1,375	443	1,089	454

On behalf of the Supervisory Board

 President

3 September 2012
 Moscow

 Chief Accountant

3 September 2012
 Moscow

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012 (UNAUDITED)
(in million of Russian Roubles)**

	Notes	30 June 2012	31 December 2011
ASSETS			
Cash and balances with the Central Bank of the Russian Federation		23,206	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation		6,416	6,124
Precious metals		10,204	9,398
Financial assets at fair value through profit or loss	10,24	65,107	77,969
Loans and advances to banks and other financial institutions	11,24	54,161	53,691
Loans to customers	12,24	509,136	447,905
Investments available-for-sale	13,24	7,256	9,690
Investments held to maturity	14	226	548
Property, plant and equipment		10,986	10,990
Goodwill		809	809
Intangible assets		2,414	2,627
Investment property		3,798	3,759
Other assets	24	5,559	4,675
TOTAL ASSETS		699,278	662,144
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	24	5,311	4,525
Due to banks and the Central Bank of the Russian Federation	15,24	123,159	106,647
Customer accounts	16,24	374,732	382,445
Bonds and Eurobonds	17	38,127	40,266
Promissory notes issued		21,210	18,907
Deferred income tax liabilities		2,747	2,885
Other liabilities	24	5,473	3,394
Subordinated debt	18,24	44,176	27,365
TOTAL LIABILITIES		614,935	586,434
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	19	6,504	6,504
Preference treasury shares	19	(605)	(605)
Share premium	19	20,898	20,898
Property, plant and equipment revaluation reserve		1,073	1,073
Revaluation of investments available-for-sale		158	(35)
Retained earnings		41,528	34,462
Total equity attributable to equity holders of the parent		69,556	62,297
Non-controlling interest		14,787	13,413
Total equity		84,343	75,710
TOTAL LIABILITIES AND EQUITY		699,278	662,144

On behalf of the Supervisory Board



President

3 September 2012
Moscow



Chief Accountant

3 September 2012
Moscow


The selected notes on pages 9-51 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 2012 (UNAUDITED)
(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 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) 19	279	-	5,039	-	-	-	5,318	-	5,318
Purchase of treasury shares (unaudited) 19	-	(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
31 December 2011	6,504	(605)	20,898	1,073	(35)	34,462	62,297	13,413	75,710
Net profit for the period (unaudited)	-	-	-	-	-	7,066	7,066	1,227	8,293
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	-	193	-	193	147	340
30 June 2012 (unaudited)	6,504	(605)	20,898	1,073	158	41,528	69,556	14,787	84,343

On behalf of the Supervisory Board



President
3 September 2012
Moscow


Chief Accountant
3 September 2012
Moscow

The selected notes on pages 9-51 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 2012 (UNAUDITED)**
(in million of Russian Roubles)

	Note	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Cash flows from operating activities:			
Interest received		29,502	23,531
Interest paid		(14,214)	(8,517)
Cash received from prepayment of loans acquired in business combination in excess of carrying value	3	307	1,384
Cash received on dealing with securities		155	915
Cash received on dealing with precious metals		773	128
Cash received on dealing with foreign currencies		557	815
Cash paid on dealing with other derivatives		(121)	(111)
Fees and commissions received		4,767	3,436
Fees and commissions paid		(1,393)	(688)
Other operating income received		505	311
Operating expenses paid		(9,197)	(7,104)
Cash flows from operating activities before changes in operating assets and liabilities		11,641	14,100
Cash Increase/(decrease) from operating assets and liabilities			
Minimum reserve deposits with the Central Bank of the Russian Federation		(291)	(2,073)
Precious metals		(490)	(2,576)
Financial assets at fair value through profit or loss		16,678	(15,334)
Loans and advances to banks and other financial institutions		(2,868)	(1,617)
Loans to customers		(61,699)	(53,201)
Other assets		(285)	(2,401)
Financial liabilities at fair value through profit or loss		16	-
Due to banks and the Central Bank of the Russian Federation		16,243	37,091
Customer accounts		(11,010)	4,558
Bonds and Eurobonds, net		(743)	4,055
Promissory notes issued/(redeemed), net		2,079	(8,019)
Other liabilities		1,882	214
Net cash used in operating activities before income tax		(28,847)	(25,203)
Income taxes paid		(2,309)	(1,482)
Net cash used in operating activities		(31,156)	(26,685)
Cash flows from investing activities			
Redemption of investments held to maturity		301	-
Acquisition of subsidiaries net of cash acquired		-	(323)
Purchase of property, plant and equipment		(239)	(569)
Proceeds from sale of plant and equipment		77	209
Purchase of intangible assets		(204)	(226)
Purchase of investment property		(193)	-
Proceeds on sale of investment property		146	-
Purchase of available-for-sale financial assets		(83)	(8,944)
Proceeds from sale of available-for-sale financial assets		2,825	20,677
Dividends received		5	17
Proceeds from sale of non-current assets held-for-sale		2	2
Net cash from investing activities		2,637	10,843
Cash flows from financing activities			
Issuance of shares	19	-	279
Share premium		-	5,039
Purchase of treasury shares		-	(161)
Redemption of bonds and Eurobonds		(1,742)	(3,392)
Subordinated debt issued		16,541	-
Subordinated debt repaid		(35)	(2,625)
Net cash from/(used in) financing activities		14,764	(860)
Effect of exchange rate changes on cash and cash equivalents		68	(160)
Net decrease in cash and cash equivalents		(13,687)	(16,862)
Cash and cash equivalents, beginning of the period		55,306	55,260
Cash and cash equivalents, ending of the period		41,619	38,398

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)
(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 and net assets acquired and purchase adjustments in bank acquisition. These non-cash settlements were excluded from the condensed interim consolidated cash flows and presented separately below:

	Notes	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
NON CASH TRANSACTION:			
Loans to customers settled by means of collateral repossession	12	-	(1,794)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Investment property	12	-	1,257
Property received as a collateral	12	-	537
Net assets acquired and purchase adjustments in bank acquisition		-	746

For the purpose of cash flow statement preparation condensed interim consolidated cash flows cash and cash equivalents comprise of the following components:

	30 June 2012 (RUB million)	30 June 2011 (RUB million)
Cash and cash equivalents:		
Cash and balances with the Central Bank of the Russian Federation	23,206	19,240
Correspondent accounts with banks	<u>18,413</u>	<u>19,158</u>
Total cash and cash equivalents	<u>41,619</u>	<u>38,398</u>

On behalf of the Supervisory Board



President

3 September 2012
 Moscow



Chief Accountant

3 September 2012
 Moscow

The selected notes on pages 9-51 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 2012 (UNAUDITED)**
(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 2012 the Bank had 40 branches operating in the Russian Federation and 1 representative office abroad.

The accompanying condensed interim 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 2012 %	31 December 2011 %	
			Parent company	Parent company	
OJSC "NOMOS-BANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS-REGIOBANK"	Russian Federation		100/100	100/100	Banking activity
OJSC "NOMOS Siberia"	Russian Federation		74.15/74.15	74.15/74.15	Banking activity
LLC "Inbank"	Russian Federation		51.29/51.29	51.29/51.29	Banking activity
OJSC "Khanty-Mansiysk Bank"	Russian Federation		(contractual agreement)	(contractual agreement)	Banking activity
BKM Finance Limited	Ireland		51.29/100	51.29/100	Issue of securities
LLC "Yugra-Leasing"	Russian Federation		51.29/100	51.29/100	Finance lease of equipment
LLC "Group of Project Finance"	Russian Federation		51.29/100	51.29/100	Construction
OJSC "Novosibirsk Municipal Bank"	Russian Federation		52.31/97.98	52.31/97.98	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		99.9/99.9 (contractual agreement)	99.9/99.9 (contractual agreement)	Asset management
Nomos Capital Plc.	Ireland		100/100	100/100	Issue of Eurobonds
CJSC "Erada"	Russian Federation		100/100	99.9/99.9	Office building ownership
LLC "NM-Garant"	Russian Federation		100/100	100/100	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	51/100	Investment management
LLC NKO "Payment System "Rapida"	Russian Federation		51/100	51/100	Payment system
LLC "Processing centre "Rapida"	Russian Federation		51/100	51/100	Processing centre
LLC "Gikor"	Russian Federation		51/100	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 "Nedvizhimost Primorya"	Russian Federation		100/100	100/100	Real estate rent activity
LLC "Invest-Trading"	Russian Federation		100/100	100/100	Investment management
LLC "Vostok-Capital"	Russian Federation		100/100	100/100	Investment management

(*) 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 “Venchnury fond investitsionnogo i proektnogo finansirovaniya”;
- ZPIFRE “Universal – Real estate fund”;
- ZPIF “KhMB-Capital”;
- ZPIF “Strategiya Razvitiya”.

As at 30 June 2012 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 2012 and 31 December 2011 the Group had 10,665 employees and 10,429 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 30 June 2012 and 31 December 2011 the Group had respectively 296 and 292 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 2012 and 2011 is presented in Note 4.

As at 30 June 2012 and 31 December 2011 the following shareholders owned the issued shares of the Bank:

Shareholders	30 June 2012, %	31 December 2011, %
Shareholders of the Bank (Shareholders of the first level):		
“Russia Finance Corporation B.V.”	26.53	26.53
Custodian for Global Depository Receipts on London Stock Exchange*	22.80	22.70
“Vitalpeake limited”	14.29	13.21
“Lordline limited”	13.84	13.82
“Arrowzone limited”	7.95	7.95
“Viewrock limited”	5.05	0.18
“Crisandra holdings Ltd”	4.12	4.12
“Alfa Capital Holdings (Cyprus) Limited”	3.25	-
Other	2.17	11.49
Total	100.00	100.00

Shareholders	30 June 2012, %	31 December 2011, %
Ultimate shareholders of the Bank:		
Mr. Kellner P.	26.53	26.53
Custodian for Global Depository Receipts on London Stock Exchange*	22.80	22.70
Mr. Gudaytis A.A.	15.90	15.88
Mr. Nesis A.N.	14.29	13.21
Mr. Dobrinov N.I.	7.11	2.24
Mr. Finogenov I.V.	3.90	3.90
Mr. Sokolov D.V.	3.90	3.90
Mr. Petropavlovsky A.F.	0.15	0.15
Other	5.42	11.49
Total	100.00	100.00

(*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 30 June 2012 and 31 December 2011 the following company owned the outstanding preference shares of the Bank:

	30 June 2012, %	31 December 2011, %
Shareholder of treasury preference shares		
Shareholder of treasury preference shares the Bank (Shareholder of the first level): LLC "KN-Estate" (subsidiary company)	100.00	100.00
Total	100.00	100.00

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 3 September 2012.

2. BASIS OF PRESENTATION

Accounting basis

These 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"). These condensed interim consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

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 investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

These 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 condensed interim consolidated financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these 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 2011, except as to the changes and the new policies implemented in the period and discussed below.

Gain/loss on remeasurement of cash flows and prepayments on interest bearing assets acquired in business combination included in the condensed interim consolidated income statement for the six months ended 30 June 2012 and 30 June 2011 represents (a) RUB 252 million and RUB 1,264 million, respectively, 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 expected cash flows of the underlying assets acquired and (b) RUB 307 million and RUB 1,384 million, respectively, 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.

There were no new accounting standards adopted from 1 January 2012 which had a material impact in these condensed interim consolidated financial statements.

Change in significant accounting estimates

Starting from 1 January 2012 certain refinements to the estimation of impairment allowance for loans to legal entities were adopted by the Group which improved the data used to identify the latent losses incurred in the portfolio.

Adoption of these amendments did not have a material effect on the impairment allowance for loans to legal entities. Estimation of the effect of these amendments in future periods is impracticable.

4. ACQUISITIONS AND DISPOSALS

In March 2012 the Group has founded a new investment fund ZPIF "Strategiya Razvitiya", which is wholly-owned by the Group as at 30 June 2012. The amount of investments in this investment fund is RUB 25 million.

5. NET INTEREST INCOME

Net interest income comprises:

	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
Interest income comprises:				
Interest income on assets recorded at amortized cost	28,143	14,780	21,199	10,976
Interest income on assets at fair value through profit or loss	2,483	1,115	1,941	1,044
Interest income on investments available-for-sale	142	74	1,161	483
Total interest income	30,768	15,969	24,301	12,503
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	25,721	13,460	18,693	9,772
Interest income on reverse repurchase transactions	1,927	1,139	1,634	817
Interest income on loans and advances to banks and other financial institutions	474	171	825	365
Interest on investments held to maturity	21	10	47	22
Total interest income on assets recorded at amortized cost	28,143	14,780	21,199	10,976
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	9,749	5,079	6,505	3,179
Interest expense on due to banks and the Central Bank of the Russian Federation	1,636	780	995	549
Interest expense on subordinated debt	1,538	923	1,120	553
Interest expense on Bonds and Eurobonds issued	1,487	746	1,326	678
Interest expense on promissory notes issued	997	498	1,082	542
Interest expense on repurchase transactions	401	289	324	224
Total interest expense on financial liabilities recorded at amortized cost	15,808	8,315	11,352	5,725
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	14,960	7,654	12,949	6,778

6. TRADING INCOME

Trading income comprises:

	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
First to default credit-linked notes recognized at fair value through profit or loss	13	6	40	-
Financial assets at fair value through profit or loss	681	(226)	398	6
Securities	694	(220)	438	6
Derivatives on foreign currency contracts	(1,205)	(2,342)	2,523	1,331
Net gain/(loss) on foreign currency operations	2,021	2,776	(1,243)	(168)
Foreign currency	816	434	1,280	1,163
Derivatives on precious metals contracts	402	(173)	303	126
Net (loss)/gain on precious metals	(129)	343	(47)	(164)
Precious metals	273	170	256	(38)
Other derivatives contracts	(17)	(15)	62	(1)
Other derivatives	(17)	(15)	62	(1)
Total trading income	1,766	369	2,036	1,130

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 at fair value through profit or loss, 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 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
Fee and commission income:				
Settlements	2,634	1,387	1,560	1,027
Documentary operations	1,030	554	724	395
Cash operations	636	326	729	394
Insurance broker commission	220	116	12	9
Brokerage operations	137	99	56	30
Foreign currency conversion operations	116	68	107	82
Operations with precious metals	49	23	40	24
Operations related to underwriting	4	4	9	5
Depository services	2	1	3	2
Other	54	25	175	77
Total fee and commission income	4,882	2,603	3,415	2,045
Fee and commission expense:				
Settlements	1,082	573	644	474
Cash operations	92	49	57	34
Documentary operations	40	25	53	32
Securities operations	11	4	20	16
Depository services	9	5	6	3
Other	46	23	22	12
Total fee and commission expense	1,280	679	802	571
Net fee and commission income	3,602	1,924	2,613	1,474

8. OPERATING EXPENSES

Operating expenses comprise:

	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
Payroll and bonuses	4,964	2,582	4,208	2,488
Unified social tax	1,067	429	888	418
Amortization of intangible assets	416	224	400	223
Depreciation of property, plant and equipment	400	206	386	163
Stationery and other office expenses	396	177	270	125
Property, plant and equipment maintenance	354	233	248	141
Taxes other than income tax	349	212	349	214
Rent expenses	330	152	292	147
Payments to the Deposit Insurance Fund	260	138	224	161
Professional services	225	147	146	130
Advertising expenses	169	108	197	148
Telecommunications	169	87	127	73
Security expenses	140	74	152	77
Representation expenses	77	50	78	62
Insurance expenses	51	22	77	44
Charity expenses	39	5	-	-
Other expenses	204	164	283	132
Total operating expenses	9,610	5,010	8,325	4,746

9. EARNINGS PER SHARE AND EARNINGS PER GDR

Earnings per share are presented as follows:

	Six months ended 30 June 2012	Three months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2011
Earnings per share related to continuing operations:				
Profit:				
Net profit	8,293	4,245	6,179	2,938
Less:				
Loss on redemption of preference shares	-	-	(40)	-
Non-controlling interest	(1,227)	(397)	(1,075)	(385)
Net profit attributable to equity holders of the parent	<u>7,066</u>	<u>3,848</u>	<u>5,064</u>	<u>2,553</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>92,422,370</u>	<u>92,422,370</u>	<u>87,092,444</u>	<u>87,336,206</u>
Earnings per share – basic and diluted (RUB)	<u><u>76.45</u></u>	<u><u>41.63</u></u>	<u><u>58.15</u></u>	<u><u>29.23</u></u>
Weighted average number of GDR's for basic and diluted earnings per GDR [†]	<u>184,844,740</u>	<u>184,844,740</u>	<u>174,184,888</u>	<u>174,672,412</u>
Earnings per GDR from continuing operations – basic and diluted	<u><u>38.23</u></u>	<u><u>20.82</u></u>	<u><u>29.07</u></u>	<u><u>14.62</u></u>

In April 2011 the Group has performed the initial public offering (IPO) of its shares in the form of both GDR and shares issue.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2012	31 December 2011
Investment in debt and equity securities at fair value through profit or loss:		
Debt securities	58,430	69,859
Equity securities	34	1,799
	<u>58,464</u>	<u>71,658</u>
First to default credit-linked notes recognized at fair value through profit or loss	353	311
Derivative financial instruments	<u>6,290</u>	<u>6,000</u>
Total financial assets at fair value through profit or loss	<u><u>65,107</u></u>	<u><u>77,969</u></u>

[†] Two GDRs represent an interest in one ordinary share.

As at 30 June 2012 investment in debt and equity securities at fair value through profit or loss comprise:

	30 June 2012	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	24,860	0 – 12.7%	November 2012 – June 2035
Corporate bonds and Eurobonds	19,593	0 – 19.0%	August 2012 – December 2036
OFZ bonds	12,074	6.5 – 12.0%	February 2013 – February 2036
Promissory notes of credit institutions	1,219	-	July 2012 – September 2012 September 2013 – September 2016
Municipal bonds	684	7.0 – 8.0%	2016
Corporate shares	34	-	-
Total investment in debt and equity securities at fair value through profit or loss	58,464		

As at 30 June 2012 the Group has certain securities with a zero coupon rate issued by Russian companies and banks.

	30 June 2012	Pledged as collateral with CBR	Pledged under repurchase agreements with banks and CBR	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	24,860	7,484	4,527	51	12,062
Corporate bonds and Eurobonds	19,593	909	7,208	31	8,148
OFZ bonds	12,074	-	7,494	-	7,494
Promissory notes of credit institutions	1,219	-	-	-	-
Municipal bonds	684	-	880	-	880
Corporate shares	34	-	7,040	57	7,097
Total investment in debt and equity securities at fair value through profit or loss	58,464	8,393	27,149	139	35,681

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 13,734 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 57 million as discussed in Note 16.

As at 31 December 2011 investment in debt and equity securities at fair value through profit or loss comprise:

	31 December 2011	Interest rate to nominal	Maturity date
Bonds and Eurobonds issued by banks	27,506	4.2-12.7%	May 2012-June 2035
Corporate bonds and Eurobonds	21,033	5.2-13.5%	January 2012-December 2036
OFZ bonds	17,182	6.5-12.0%	February 2013-January 2036
Promissory notes of credit institutions	2,877	-	January 2012-March 2014
RF Government Eurobonds	1,110	7.5%	March 2030
Municipal bonds	151	8.0%	April 2014
Corporate shares	1,799	-	-
Total investment in debt and equity securities at fair value through profit or loss	71,658		

	31 December 2011	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	27,506	5,466	4,931	-	10,397
Corporate bonds and Eurobonds	21,033	397	5,239	-	5,636
OFZ bonds	17,182	-	5,839	-	5,839
Promissory notes of credit institutions	2,877	-	-	-	-
RF Government Eurobonds	1,110	-	1,110	-	1,110
Municipal bonds	151	-	-	-	-
Corporate shares	1,799	1,816	2,690	232	4,738
Total investment in debt and equity securities at fair value through profit or loss	71,658	7,679	19,809	232	27,720

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 3,801 million discussed in Note 15 and assets pledged under reverse repurchase agreements with customers in the amount of RUB 232 million as discussed in Note 16.

As at 30 June 2012 and 31 December 2011 financial assets at fair value through profit or loss are mainly represented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

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 2012 first to default credit-linked notes were as follows:

<u>Nominal amount and margin calls</u>					30 June 2012
<u>Nominal currency</u>	<u>Rouble equivalent</u>	<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	<u>Carrying amount</u>
USD 10 million	328	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	353
					353

As at 31 December 2011 first to default credit-linked notes were as follows:

<u>Nominal amount and margin calls</u>		<u>Maturity date</u>	<u>Coupon rate</u>	<u>Reference bonds</u>	<u>31 December 2011</u>
<u>Nominal currency</u>	<u>Rouble equivalent</u>				<u>Carrying amount</u>
USD 10 million	322	20 November 2012	LIBOR+ 12.5% per annum	AK Alrosa OAO TNK-BP OAO Evrazholding OAO Mobile Telecommunication Systems OAO Rosneft	311
					311

11. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Loans to banks	26,679	25,399
Correspondent accounts with banks	18,413	21,347
Loans under reverse repurchase agreements	9,069	6,945
Total loans and advances to banks and other financial institutions	54,161	53,691

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2012 and 31 December 2011 are presented as follows:

	<u>30 June 2012</u>		<u>31 December 2011</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>
First to default credit-linked notes	3,609	4,050	-	-
OFZ bonds	2,460	2,642	100	111
Corporate bonds and Eurobonds	2,096	2,466	3,741	5,043
Municipal bonds	782	884	2,821	3,527
Bonds and Eurobonds issued by banks	122	155	283	366
Total	9,069	10,197	6,945	9,047

As at 30 June 2012 and 31 December 2011 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with plastic cards in the amount of RUB 734 million and RUB 719 million, respectively.

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2012	31 December 2011
Loans to legal entities		
Corporate loans	358,120	327,817
Loans under reverse repurchase agreements	56,499	46,346
Small business loans to corporates	37,316	31,297
Net investments in finance lease	3,177	2,707
Lease contracts to individual entrepreneurs	859	448
Total loans to legal entities	455,971	408,615
Loans to individuals		
Consumer loans	36,960	27,335
Mortgage loans	32,088	28,829
Car loans	3,246	2,998
Loans to individual entrepreneurs	926	501
Other	4	9
Total loans to individuals	73,224	59,672
Gross loans to customers	529,195	468,287
Less – Allowance for impairment losses	(20,059)	(20,382)
Total loans to customers	509,136	447,905

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.

Starting from January 1st 2012, the Group implemented certain refinements to the methodology for loan loss assessment to improve its overall risk management capabilities. The introduction of the refinements had a negligible impact on the required level of impairment allowance as demonstrated in the following tables. The main changes introduced can be summarized as follows. First of all, a more comprehensive list of impairment criteria was adopted and applied automatically against the entire Group corporate and small business loan portfolios to provide a more thorough and objective approach to loan loss assessment. Secondly, the internal credit quality classification which shows 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, was improved by introducing the following four categories:

- **Standard loans**, representing loans without any indications 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.
- **Substandard loans**, representing loans with **certain minor indicators of impairment**, which potentially can affect the ability of the borrower to repay the amounts in due course. Such indicators may include deterioration of financial position of the borrower, minor breaches of payment discipline; numerous loan restructuring. Substandard loans are subject to stricter monitoring of dynamics in financial position, sufficiency of collateral and other instruments of credit risk reduction and other enhanced credit risk management tools.
- **Doubtful loans**, representing loans with **significant indicators of impairment**. Such loans are treated on a case by case basis so as to minimize potential losses for the Group.

Loan loss provision for substandard and doubtful loans is assessed based on the expected level of recovery.

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 2012:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans, %</u>
Corporate loans				
Standard loans	383,577	5,422	378,155	1.41%
Watch list loans	7,257	99	7,158	1.36%
Substandard loans	14,675	2,360	12,315	16.08%
Doubtful loans, including not overdue	12,287	8,361	3,926	68.05%
overdue less than 90 days	2,491	1,359	1,132	54.56%
- overdue more than 90 days and less than 1 year	727	372	355	51.17%
- overdue more than 1 year	5,179	4,547	632	87.80%
Total corporate loans	417,796	16,242	401,554	3.89%
Small business loans to corporates				
Standard loans	34,752	357	34,395	1.03%
Watch list loans	68	-	68	0.00%
Substandard loans	497	75	422	15.09%
Doubtful loans, including not overdue	2,858	2,128	730	74.46%
overdue less than 90 days	616	591	25	95.94%
- overdue more than 90 days and less than 1 year	788	205	583	26.02%
- overdue more than 1 year	791	702	89	88.75%
Total small business loans	38,175	2,560	35,615	6.71%
Total loans to legal entities	455,971	18,802	437,169	4.12%

The refinements were introduced in 2012 therefore the breakdown of classification of loans according to this model is not available for the comparative periods and is not presented.

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 2011:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans, %</u>
Corporate loans				
Loans without individual indicators of impairment:				
- standard loans not overdue	353,415	6,534	346,881	1.85%
- watch list loans	10,660	835	9,825	7.83%
Total loans without individual indicators of impairment	364,075	7,369	356,706	2.02%
Loans with individual indicators of impairment:				
- not past due	2,946	2,242	704	76.10%
- overdue less than 90 days	2,342	1,712	630	73.10%
- overdue more than 90 days and less than 1 year	1,725	1,541	184	89.33%
- overdue more than 1 year	5,782	4,185	1,597	72.38%
Total loans with individual indicators of impairment	12,795	9,680	3,115	75.65%
Total corporate loans	376,870	17,049	359,821	4.52%

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Small business loans to corporates				
Loans without individual indicators of impairment:				
- standard loans not overdue	28,859	562	28,297	1.95%
- watch list loans	1,008	12	996	1.19%
Total loans without individual indicators of impairment	29,867	574	29,293	1.92%
Loans with individual indicators of impairment:				
- not past due	685	663	22	96.79%
- overdue less than 90 days	152	108	44	71.05%
- overdue more than 90 days and less than 1 year	354	252	102	71.19%
- overdue more than 1 year	687	672	15	97.82%
Total loans with individual indicators of impairment	1,878	1,695	183	90.26%
Total small business loans to corporates	31,745	2,269	29,476	7.15%
Total loans to legal entities	408,615	19,318	389,297	4.73%

The following table provides information on loans to individuals as at 30 June 2012:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	30,888	7	30,881	0.02%
- Overdue less than 30 days	450	7	443	1.56%
- Overdue 30-90 days	88	10	78	11.36%
- Overdue 91-180 days	48	16	32	33.33%
- Overdue 181-365 days	71	42	29	59.15%
- Overdue more than 365 days	543	543	-	100.00%
Total mortgage loans	32,088	625	31,463	1.95%
Consumer Loans				
- Not past due	35,547	28	35,519	0.08%
- Overdue less than 30 days	585	34	551	5.81%
- Overdue 30-90 days	262	68	194	25.95%
- Overdue 91-180 days	193	105	88	54.40%
- Overdue 181-365 days	232	226	6	97.41%
- Overdue more than 365 days	141	141	-	100.00%
Total consumer loans	36,960	602	36,358	1.63%
Car Loans				
- Not past due	3,149	-	3,149	0.00%
- Overdue less than 30 days	39	-	39	0.00%
- Overdue 30-90 days	22	-	22	0.00%
- Overdue 91-180 days	13	2	11	15.38%
- Overdue 181-365 days	8	8	-	100.00%
- Overdue more than 365 days	15	15	-	100.00%
Total car loans	3,246	25	3,221	0.77%

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Loans to individual entrepreneurs				
- Not past due	921	5	916	0.54%
- Overdue less than 30 days	2	-	2	0.00%
- Overdue 30-90 days	3	-	3	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	926	5	921	0.54%
Other				
- Not past due	4	-	4	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	4	-	4	0.00%
Total loans to individuals	73,224	1,257	71,967	1.72%

The following table provides information on loans to individuals as at 31 December 2011:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Mortgage Loans				
- Not past due	27,725	12	27,713	0.04%
- Overdue less than 30 days	292	8	284	2.74%
- Overdue 30-90 days	64	9	55	14.06%
- Overdue 91-180 days	68	32	36	47.06%
- Overdue 181-365 days	125	124	1	99.20%
- Overdue more than 365 days	555	551	4	99.28%
Total mortgage loans	28,829	736	28,093	2.55%
Consumer Loans				
- Not past due	26,608	24	26,584	0.09%
- Overdue less than 30 days	290	20	270	6.90%
- Overdue 30-90 days	169	40	129	23.67%
- Overdue 91-180 days	118	69	49	58.47%
- Overdue 181-365 days	61	61	-	100.00%
- Overdue more than 365 days	89	89	-	100.00%
Total consumer loans	27,335	303	27,032	1.11%
Car Loans				
- Not past due	2,924	1	2,923	0.03%
- Overdue less than 30 days	32	1	31	3.13%
- Overdue 30-90 days	22	1	21	4.55%
- Overdue 91-180 days	6	2	4	33.33%
- Overdue 181-365 days	8	8	-	100.00%
- Overdue more than 365 days	6	6	-	100.00%
Total car loans	2,998	19	2,979	0.63%
Loans to individual entrepreneurs				
- Not past due	499	6	493	1.20%
- Overdue less than 30 days	2	-	2	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	501	6	495	1.20%

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Other				
- Not past due	9	-	9	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	9	-	9	0.00%
Total loans to individuals	59,672	1,064	58,608	1.78%

Movements in allowances for impairment losses for the six months ended 30 June 2012 and 2011 were as follows.

	For the six months ended 30 June	
	2012	2011
As at 1 January	20,382	15,558
Provision charge	2,153	4,201
Recovery of bad debt written-off	186	124
Foreign currency revaluation effect	160	(379)
Disposal of loans	(774)	(1,185)
Bad debt written-off	(2,048)	(2,059)
As at 30 June	20,059	16,260

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

	30 June 2012	31 December 2011
Analysis by industry sector:		
Industrial manufacturing	76,539	67,799
Individuals	73,224	59,672
Brokerage and dealing in securities	56,499	46,346
Wholesale trade	51,417	49,160
Operations with real estate	41,474	43,962
Construction of industrial real estate	34,119	27,173
Services	33,697	23,955
Leasing	27,727	22,819
Transport and communication	27,655	17,723
Mining	23,921	22,115
Housing construction	23,047	21,149
Retail trade	19,666	19,711
Construction of commercial real estate	15,017	13,029
Agriculture	3,871	4,020
Precious metals extraction	1,899	1,150
Energy	953	2,453
Government finance	884	1,392
Other	17,586	24,659
Gross loans to customers	529,195	468,287
Less – Allowance for impairment losses	(20,059)	(20,382)
Total loans to customers	509,136	447,905

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Loans collateralized by guarantees of enterprises and banks	129,663	100,272
Loans collateralized by pledge of securities	105,883	83,141
Loans collateralized by pledge of real estate	85,286	84,946
Loans collateralized by pledge of contract proceeds	36,889	32,778
Loans collateralized by pledge of property	31,712	26,538
Loans collateralized by pledge of the Bank's own securities	171	82
Unsecured loans	66,367	80,858
Gross loans to corporate customers	455,971	408,615
Less – Allowance for impairment losses	(18,802)	(19,318)
Total loans to corporate customers	437,169	389,297

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 2012</u>	<u>31 December 2011</u>
Loans collateralized by pledge of real estate	25,246	22,760
Loans collateralized by guarantees of enterprises and individuals	9,745	10,078
Loans collateralized by pledge of vehicles and other property	3,770	3,296
Loans collateralized by pledge of contract proceeds	2,343	1,432
Loans collateralized by pledge of securities	3	83
Loans collateralized by pledge of the Bank's own securities	2	3
Unsecured loans	32,115	22,020
Gross loans to individuals	73,224	59,672
Less – Allowance for impairment losses	(1,257)	(1,064)
Total loans to individuals	71,967	58,608

As at 30 June 2012 and 31 December 2011 the Group granted loans to three and five borrowers totalling RUB 37,325 million and RUB 54,894 million, respectively, which 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 performing within standard loans.

As at 30 June 2012 and 31 December 2011 renegotiated loans amounted to RUB 5,292 million and RUB 6,739 million respectively, which would be past due or doubtful 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 2012 and 31 December 2011 are presented as follows:

	<u>30 June 2012</u>		<u>31 December 2011</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	39,690	48,826	39,248	46,244
Corporate bonds and Eurobonds	8,924	9,488	7,098	7,483
OFZ bonds	3,526	3,538	-	-
Bonds and eurobonds issued by banks	3,288	3,444	-	-
RF Government eurobonds	550	612	-	-
Bonds issued by foreign countries	521	596	-	-
Total	56,499	66,504	46,346	53,727

The components of net investment in finance lease as at 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Less than one year	2,216	1,917
From one year to five years	2,593	2,058
More than five years	<u>574</u>	<u>68</u>
Minimum lease payments	5,383	4,043
Less: unearned finance income	<u>(1,347)</u>	<u>(888)</u>
Net investment in finance lease	<u>4,036</u>	<u>3,155</u>
Current portion	1,641	1,446
Long-term portion	<u>2,395</u>	<u>1,709</u>
Net investment in finance lease	<u>4,036</u>	<u>3,155</u>

As at 30 June 2012 and 31 December 2011 the Group provided loans to customers in the amount of RUB 6,770 million and of RUB 6,703 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,160 million and RUB 6,263 million, respectively (see Note 16).

During the six months ended 30 June 2012 and 2011 the Bank 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 2012</u>	<u>Six months ended 30 June 2011</u>
Fair value of the consideration received	4,597	4,211
Carrying amount net of provisions	<u>(3,837)</u>	<u>(4,091)</u>
Net gain on disposal of loans	<u>760</u>	<u>120</u>

13. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 June 2012 investments available-for-sale comprise:

	<u>30 June 2012</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Units of investment funds	5,673	-	-
Bonds and Eurobonds issued by banks	713	0 – 9.2%	February 2013 – November 2018
Corporate shares	463	-	-
Corporate bonds and Eurobonds	253	7.1 - 17.0%	March 2014 – March 2020
OFZ bonds	153	8.0%	November 2021
Share participation in limited liability companies	<u>1</u>	-	-
Total investments available-for-sale	<u>7,256</u>		

	<u>30 June 2012</u>	<u>Pledged under repurchase agreements with banks</u>
Units of investment funds	5,673	-
Bonds and Eurobonds issued by banks	713	151
Corporate shares	463	-
Corporate bonds and Eurobonds	253	76
OFZ bonds	153	-
Share participation in limited liability companies	1	-
Total investments available-for-sale	<u>7,256</u>	<u>227</u>

As at 31 December 2011 investments available-for-sale comprise:

	<u>31 December 2011</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Units of investment funds	5,676	-	-
Bonds issued by CIS	1,977	8.7-8.9%	August 2015-January 2018
Corporate bonds and Eurobonds	942	5.9-20.0%	March 2012-December 2016
Bonds and Eurobonds issued by banks	507	0-9.2%	May 2012-December 2017
Corporate shares	421	-	-
OFZ bonds	161	8.0%	November 2021
Promissory notes of credit institutions	5	-	January 2012
Share participation in limited liability companies	1	-	-
Total investments available-for-sale	<u>9,690</u>		

As at 30 June 2012 and 31 December 2011 the Group has bonds issued by banks with a zero coupon rate.

	<u>31 December 2011</u>	<u>Pledged under repurchase agreements with banks</u>
Units of investment funds	5,676	-
Bonds issued by CIS	1,977	-
Corporate bonds and Eurobonds	942	826
Bonds and Eurobonds issued by banks	507	-
Corporate shares	421	-
OFZ bonds	161	-
Promissory notes of credit institutions	5	-
Share participation in limited liability companies	1	-
Total investments available-for-sale	<u>9,690</u>	<u>826</u>

Units of investment funds included in financial assets available-for-sale as at 30 June 2012 and 31 December 2011 are presented below:

	<u>30 June 2012</u>	<u>31 December 2011</u>
ZPIF Rusnedra	5,655	5,651
OPIF "NOMOS – Fund of bonds"	10	10
OPIF "NOMOS – Fund of shares"	8	8
OPIF of shares "Troika-Dialog – Dobrynya Nikitich"	-	7
Total units of investment funds	<u>5,673</u>	<u>5,676</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 reporting dates.

As at 30 June 2012 and 31 December 2011 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

14. INVESTMENTS HELD TO MATURITY

Investments held to maturity are presented as follows:

	<u>Interest rate to nominal</u>	<u>30 June 2012</u>	<u>Interest rate to nominal</u>	<u>31 December 2011</u>	<u>Pledged as collateral with CBR</u>
Municipal bonds	9.0%	201	9.0%	523	522
OFZ bonds	6.9%	25	6.9%	25	-
Total investments held to maturity		<u>226</u>		<u>548</u>	<u>522</u>

Movements in allowances for impairment losses for the six months ended 30 June 2012 and 2011 were as follows.

	<u>For the six months ended 30 June</u>	
	<u>2012</u>	<u>2011</u>
As at 1 January	-	1,129
Provision charge	-	2
As at 30 June	<u>-</u>	<u>1,131</u>

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

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Deposits from banks	81,504	72,290
Loans under repurchase agreements	22,320	17,406
Correspondent accounts of other banks	12,741	10,644
Syndicated loans	6,594	6,307
Total due to banks and the Central Bank of the Russian Federation	<u>123,159</u>	<u>106,647</u>

As at 30 June 2012 and 31 December 2011 carrying value of syndicated loans received by the Group amounted to RUB 6,594 million and RUB 6,307 million, respectively. Syndicated loans were obtained from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is October 2012, and the interest rate is tied to six-month LIBOR plus 1.9% margin.

As at 30 June 2012 and 31 December 2011 the Group had deposits from four and three banks amounting to RUB 54,754 million and RUB 40,583 million, respectively, which individually exceeded 10% of the Group's equity.

As at 30 June 2012 and 31 December 2011 loans under repurchase agreements with the CBR amounted to RUB 20,628 million and RUB 9,017 million, respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 June 2012 and 31 December 2011 are presented as follows:

	30 June 2012		31 December 2011	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
OFZ bonds	7,412	7,494	5,712	5,839
Corporate bonds and Eurobonds	6,343	7,284	4,969	6,065
Corporate shares	3,898	7,040	1,697	2,690
Bonds and Eurobonds issued by banks	3,826	4,678	4,203	4,931
Municipal bonds	841	880	-	-
RF Government Eurobonds	-	-	825	1,110
Total	22,320	27,376	17,406	20,635

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2012	31 December 2011
Term deposits	266,799	273,261
Current accounts	101,650	102,764
Term deposits from Deposit Insurance Agency	6,160	6,263
Loans under repurchase agreements	123	157
Total customer accounts	374,732	382,445

As at 30 June 2012 and 31 December 2011 the Group received funds from three and four customers amounting to RUB 29,256 million and RUB 40,258 million, respectively, which individually exceeded 10% of the Group's equity.

As at 30 June 2012 and 31 December 2011 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 2012	31 December 2011
Gold	4,221	5,636
Silver	800	921
Palladium	100	93
Platinum	55	51
Total customer accounts denominated in precious metals	5,176	6,701

As at 30 June 2012 and 31 December 2011 customer accounts amounting to RUB 1,835 million and RUB 2,670 million, respectively, were held as security against other financial transactions by the Group (see Note 20).

As at 30 June 2012 and 31 December 2011 the Group provided loans to customers in the amount of RUB 6,770 million and of RUB 6,703 million which were secured by deposits made by the Deposit Insurance Agency ("DIA") in the amount of RUB 6,160 million and RUB 6,263 million, respectively (see Note 12).

Analysis of customer accounts by economic sector is presented below:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Individuals	144,893	130,375
Investment and asset management companies	70,123	59,297
Industrial manufacturing	33,839	28,506
Services	22,500	35,445
Wholesale trade	18,948	24,703
Insurance	14,776	12,669
Regional and local budgets funds	13,668	20,747
Construction of industrial real estate	10,587	21,330
Operations with real estate	5,495	8,451
Science	5,218	5,659
Precious metals extraction	4,879	5,697
Transport and communication	4,722	6,190
Construction of commercial real estate	3,650	2,117
Housing construction	3,588	145
Retail trade	3,417	3,861
Leasing	2,887	3,189
Energy	2,040	4,951
Agriculture	852	610
Brokerage and dealing in securities	123	157
Other	8,527	8,346
Total customer accounts	<u>374,732</u>	<u>382,445</u>

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 June 2012 and 31 December 2011 are presented as follows:

	<u>30 June 2012</u>		<u>31 December 2011</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	54	57	157	232
Corporate bonds and Eurobonds	26	31	-	-
Bonds and Eurobonds issued by banks	43	51	-	-
Total	<u>123</u>	<u>139</u>	<u>157</u>	<u>232</u>

17. BONDS AND EUROBONDS

Bonds and Eurobonds comprise:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Bonds issued in local market	19,153	22,592
Eurobonds due in 2013	13,138	11,865
Eurobonds due in 2012	5,836	5,809
Total Bonds and Eurobonds issued	<u>38,127</u>	<u>40,266</u>

Bonds and Eurobonds as at 30 June 2012 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>30 June 2012</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,148
NOMOS, 11th issue	Roubles	2009	2014	7.40%	4,921
NOMOS, BO-01	Roubles	2011	2014	9.10%	3,186
NOMOS, 9th issue	Roubles	2008	2013	8.75%	2,873
NOMOS, BO-02	Roubles	2011	2014	8.00%	2,765
2 nd issue	Roubles	2010	2013	9.25%	260
Total bonds issued					19,153
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	13,138
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,836
Total Eurobonds issued					18,974
Total bonds and Eurobonds issued					38,127

Bonds and Eurobonds as at 31 December 2011 comprise:

	<u>Currency</u>	<u>Start date (year)</u>	<u>Maturity date (year)</u>	<u>Nominal interest rate %</u>	<u>31 December 2011</u>
Bonds issued					
NOMOS, 12th issue	Roubles	2010	2017	8.50%	5,149
NOMOS, BO-01	Roubles	2011	2014	7.00%	4,971
NOMOS, 11th issue	Roubles	2009	2014	7.40%	4,895
NOMOS, 9th issue	Roubles	2008	2013	6.25%	4,614
NOMOS, BO-02	Roubles	2011	2014	8.00%	2,610
2 nd issue	Roubles	2010	2013	6.25%	353
Total bonds issued					22,592
Eurobonds					
NOMOS Eurobonds due in 2013	US Dollars	2010	2013	6.50%	11,865
NOMOS Eurobonds due in 2012	US Dollars	2009	2012	9.25%	5,809
Total Eurobonds issued					17,674
Total bonds and Eurobonds issued					40,266

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

In accordance with the terms of the 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 at 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 at the end of the periods ended 30 June 2012 and 31 December 2011.

18. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 30 June 2012:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	30 June 2012
Subordinated bonds	US Dollars	2012	2019	10.00%	16,541
Subordinated bonds	US Dollars	2010	2015	8.75%	11,601
Subordinated loan	Roubles	2011	2021	12.00%	6,002
Subordinated loan	Roubles	2009	2019	6.50%	4,901
Subordinated bonds	US Dollars	2007	2018	11.00%	3,455
Subordinated loan	Roubles	2009	2019	6.50%	1,577
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
					44,176

The following table provides information on subordinated debt as at 31 December 2011:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2011
Subordinated bonds	US Dollars	2010	2015	8.75%	11,374
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,901
Subordinated bonds	US Dollars	2007	2018	11.00%	3,407
Subordinated loan	Roubles	2009	2019	6.50%	1,549
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	39
Subordinated loan	Roubles	2009	2016	11.30%	35
					27,365

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 2010	86,845,973	4,342	2,420,000	121
Required	-	-	(2,420,000)	(121)
Issued	5,576,397	279	-	-
30 June 2011	92,422,370	4,621	-	-
31 December 2011	92,422,370	4,621	-	-
30 June 2012	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 Bank, to receive non-fixed rate dividend income and to receive property belonging to the Bank 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 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
31 December 2011	167,377,630	8,369	48,100,000	2,405
30 June 2012	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.

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.

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.

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 condensed interim 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 2012 and 31 December 2011 allowances for guarantees and other off-balance sheet commitments were RUB 169 million and RUB 381 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 2012 and 31 December 2011 the nominal or contract amounts and risk-weighted amounts were:

	30 June 2012		31 December 2011	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	116,200	116,088	100,356	65,078
Commitments on loans and unused credit lines	102,167	2,013	87,202	1,366
Letters of credit and other contingent commitments related to settlement operations	11,086	4,625	9,972	3,651
Total contingent liabilities and credit commitments	229,453	122,726	197,530	70,095

As at 30 June 2012 and 31 December 2011 letters of credit of RUB 1,835 million and RUB 2,670 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 2012 and 31 December 2011 are presented in the table below.

	30 June 2012	31 December 2011
Not later than 1 year	492	834
Later than 1 year and not later than 5 years	1,087	1,019
Later than 5 years	2	3
Total operating lease	1,581	1,856

Fiduciary activities – The Group provides depository services to its customers. As at 30 June 2012 and 31 December 2011 the Group had customers' securities of 14,339,986,760 items, and 14,999,522,154 items, respectively, in its nominal holder's accounts.

As at 30 June 2012 and 31 December 2011 the Group kept in its vault 5,472 kg of gold bullion, 4,233 kg of silver bullion, 62 kg of palladium bullion, 29 kg of platinum bullion, and 5,006 kg of gold bullion, 3,236 kg of silver bullion, 82 kg of palladium bullion, 26 kg of platinum bullion respectively, owned by the Group's customers.

As at 30 June 2012 and 31 December 2011 the Group has obligation to provide funding for operations on precious metals extraction in the amount of RUB 27,316 million and RUB 35,029 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 condensed interim 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 condensed interim 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 2012 and 2011 the Group made payments to the non-government pension fund of RUB 2 million and RUB 2 million, respectively. Once the payments to the pension fund are made the Group has no further obligations.

Operating Environment – Emerging markets such as Russia 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 Russia and the Russian economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Russian economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

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

21. SEGMENT REPORTING

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.

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 2012 Total
External interest income	19,122	2,475	4,558	4,527	86	-	30,768
External interest expense	(6,332)	(297)	(3,589)	(3,159)	(2,431)	-	(15,808)
Internal funding costs/revenues from Central treasury	(5,239)	(554)	2,448	142	3,203	-	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	7,551	1,624	3,417	1,510	858	-	14,960
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,367)	(201)	(26)	1	-	(1)	(1,594)
Net interest income	6,184	1,423	3,391	1,511	858	(1)	13,366
Fee and commission income	1,736	579	2,424	136	6	1	4,882
Fee and commission expense	(71)	(18)	(1,072)	(75)	(44)	-	(1,280)
Trading and foreign exchange results	313	17	162	2,343	(1,087)	-	1,748
Other operating income	799	(9)	145	258	(1)	78	1,270
Net result from other segments [*]	(46)	(11)	27	92	(62)	-	-
Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions	8,915	1,981	5,077	4,265	(330)	78	19,986
(Recovery of)/impairment losses of investments available-for-sale and investment property and provisions on other transactions	129	(3)	(11)	54	-	12	181
Operating expenses	(2,417)	(1,375)	(3,796)	(692)	(176)	(1,154)	(9,610)
Operating profit before income tax	6,627	603	1,270	3,627	(506)	(1,064)	10,557
Income tax expense	-	-	-	-	-	(2,264)	(2,264)
Net profit	6,627	603	1,270	3,627	(506)	(3,328)	8,293
Depreciation and amortization expense	(191)	(113)	(374)	(40)	(11)	(87)	(816)
Capital expenditures	161	94	257	39	11	75	637

^{*} 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 2012 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	10,712	76	12,407	11	23,206
Minimum reserve deposits with CBR	911	157	890	134	4,324	-	6,416
Precious metals	10,190	-	14	-	-	-	10,204
Financial assets at fair value through profit or loss	14	-	-	65,093	-	-	65,107
Loans and advances to banks and other financial institutions	4	-	1,378	39,196	13,583	-	54,161
Loans to customers	352,999	36,534	71,049	48,514	8	32	509,136
Investments available-for-sale	5,655	-	-	1,595	6	-	7,256
Investments held to maturity	-	-	-	226	-	-	226
Property, plant and equipment	2,603	1,439	4,679	532	595	1,138	10,986
Intangible assets	366	238	1,269	50	15	476	2,414
Goodwill	-	-	-	-	-	809	809
Investment property	2,290	-	-	636	-	872	3,798
Other assets	1,351	71	381	1,010	41	2,705	5,559
TOTAL ASSETS	376,383	38,439	90,372	157,062	30,979	6,043	699,278
LIABILITIES							
Financial liabilities at fair value through profit or loss	59	-	-	5,252	-	-	5,311
Due to banks and the Central Bank of the Russian Federation	6,035	3,512	1,015	105,728	6,869	-	123,159
Customer accounts	196,098	21,730	147,204	3,209	6,491	-	374,732
Bonds and Eurobonds	-	-	-	19,153	18,974	-	38,127
Promissory notes issued	4,602	2,457	54	13,806	291	-	21,210
Deferred income tax liabilities	-	-	-	-	-	2,747	2,747
Other liabilities	1,899	40	602	852	24	2,056	5,473
Subordinated debt	-	-	-	-	44,176	-	44,176
TOTAL LIABILITIES	208,693	27,739	148,875	148,000	76,825	4,803	614,935

	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 before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	7,426	1,217	2,239	2,076	(16)	7	12,949
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,514)	45	(97)	12	-	(1)	(1,555)
Net interest income	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	-	-
Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions	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 expenses	(2,033)	(1,165)	(3,015)	(527)	(122)	(1,524)	(8,386)
Operating profit before income tax	5,566	557	233	2,739	303	(1,572)	7,826
Income tax expense	-	-	-	-	-	(1,647)	(1,647)
Net profit	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	31 December 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	-	-	12,939	5,013	15,998	9	33,959
Minimum reserve deposits with CBR	-	-	-	-	6,124	-	6,124
Precious metals	9,373	-	25	-	-	-	9,398
Financial assets at fair value through profit or loss	47	-	-	77,922	-	-	77,969
Loans and advances to banks and other financial institutions	435	-	2,110	35,778	15,368	-	53,691
Loans to customers	320,870	29,930	58,114	38,952	9	30	447,905
Investments available-for-sale	5,651	-	-	4,016	23	-	9,690
Investments held to maturity	-	-	-	548	-	-	548
Property, plant and equipment	2,475	1,456	4,560	477	599	1,423	10,990
Intangible assets	434	246	1,414	58	21	454	2,627
Goodwill	-	-	-	-	-	809	809
Investment property	2,218	-	-	728	-	813	3,759
Other assets	685	306	565	237	57	2,825	4,675
TOTAL ASSETS	342,188	31,938	79,727	163,729	38,199	6,363	662,144
LIABILITIES							
Financial liabilities at fair value through profit or loss	104	-	-	4,421	-	-	4,525
Due to banks and the Central Bank of the Russian Federation	10,979	3,713	6,440	79,208	6,307	-	106,647
Customer accounts	213,096	24,250	130,636	2,895	11,568	-	382,445
Bonds and Eurobonds	-	-	-	22,592	17,674	-	40,266
Promissory notes issued	6,481	239	84	12,103	-	-	18,907
Deferred income tax liabilities	-	-	-	-	-	2,885	2,885
Other liabilities	700	41	777	183	51	1,642	3,394
Subordinated debt	-	-	-	-	27,365	-	27,365
TOTAL LIABILITIES	231,360	28,243	137,937	121,402	62,965	4,527	586,434

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), non-controlling 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 investments available-for-sale and property, plant and equipment revaluation reserve.

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 30 June 2012 and 31 December 2011:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Tier 1 capital	82,304	73,864
Tier 2 capital	<u>24,681</u>	<u>25,384</u>
Total regulatory capital	<u>106,985</u>	<u>99,248</u>
Risk-weighted assets:		
Credit risks	624,055	550,142
Market risks	<u>67,452</u>	<u>64,381</u>
Total risk-weighted assets	<u>691,507</u>	<u>614,523</u>
Basel ratio	15.47%	16.15%
Tier 1	<u>11.90%</u>	<u>12.02%</u>

As at 30 June 2012 and 31 December 2011 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 1988 Basel Capital Accord 1988. As at 30 June 2012 and 31 December 2011, 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

Market risk

Market risk is the risk that the Group will incur losses due to the unfavorable fluctuations in the market value of financial instruments (including derivatives), foreign exchange rates, prices of precious metals and interest rates.

Market risk includes securities price risk, currency risk and interest rate risk. The Group is exposed to currency risk because of its open positions in currencies and precious metals. The source for interest rate and securities price risks are open positions in interest rate and equity instruments which are subject to general and specific market fluctuations.

Day-to-day market risk management is performed by the Financial Market Operations Department, the Precious Metals Operations Department and the Treasury Directorate. The Market and Operational Risk Department evaluates the Group's exposure to securities price risk and currency risk. The Treasury Directorate estimates sensitivity of the Group's position to interest rates changes and sets guidelines for the interest rate risks. Financial Market Operations Department manages the open positions within the set of limits on a daily basis to increase the Group's profit.

Methodology adopted by the Group for market risk measurement purposes

The Group applies Value-at-Risk (VaR) methodology to assess its exposure to currency and securities price risk. VaR provides an estimate (the value) of the maximum level of the Group's losses in the following sense: during a given period of time the loss for the concerned position in financial instrument/currency/precious metal or particular portfolio with a given probability will not exceed VaR.

The Group uses 99% confidence level and 10-day time horizon in its VaR calculation process. VaR is estimated with regard to the Group's currency position in terms of key currencies and gold and the Group's securities portfolios (equity, except for non quoted instruments, financial securities derivatives and fixed-income securities except for promissory notes). The Group applies historical and parametric methods for VaR calculation. The latter implies two options: the one assuming constant volatility of returns and another incorporating change in volatility captured by the recent market information.

The choice of an appropriate approach for VaR estimation is based on statistical analysis of the dynamics of financial instruments' fair values (defined by the Group's IFRS accounting policy) and official prices of currencies and precious metals set by the Bank of Russia. The sampling period used by the Group for simulation purposes depends on the instrument type: 259 days – for currencies and gold, 69-259 days – for financial instruments.

To control the accuracy of VaR estimates the Group performs regular backtesting that allows determining the extent to which risk assessment model corresponds to the real market situation.

Total data on the VaR assessment in respect for currency and securities price risks accepted by the Group as at 30 June 2012 and 31 December 2011 are presented as follows:

RUB million	minimum	average	maximum	30 June 2012
Currency risk	35	113	219	136
Fixed income securities price risk	552	1 004	2 560	763
Equity securities price risk	8	65	390	9

RUB million	minimum	average	maximum	31 December 2011
Currency risk	22	104	479	68
Fixed income securities price risk	377	876	2,460	2,460
Equity securities price risk	201	343	692	369

Although VaR is an industry standard for market risk estimation it has some limitations:

- VaR-based analysis is correct in case of preservation of the current market trends: use of historical data to assess future events fails to take into account all the scenarios possible, especially extraordinary ones;
- VaR estimates are sensitive to the liquidity of the market for a particular instrument, its illiquidity may lead to biased volatility estimation;
- Use of 99% confidence level disregards losses that may occur outside of this confidence range;
- 10-day time horizon implies that the Group's whole position could have been closed or hedged during that period. This assumption can be violated in case of the tightening market liquidity;
- VaR calculation 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 and precious metals risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange and precious metals exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 30 June 2012 is presented in the table below:

	RUB	USD 1 USD = RUB 32.8169	Euro 1 EUR = RUB 41.3230	Gold 1 ounce = RUB 52,457.81	Other	30 June 2012 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	21,788	836	559	-	23	23,206
Minimum reserve deposits with the Central Bank of the Russian Federation	6,416	-	-	-	-	6,416
Financial assets at fair value through profit or loss	47,083	17,673	322	10	19	65,107
Loans and advances to banks and other financial institutions	19,370	19,557	4,118	10,366	750	54,161
Loans to customers	376,009	118,092	14,987	-	48	509,136
Investments available-for-sale	6,750	504	2	-	-	7,256
Investments held to maturity	226	-	-	-	-	226
Other financial assets	1,752	130	457	-	7	2,346
TOTAL FINANCIAL ASSETS	479,394	156,792	20,445	10,376	847	667,854
Precious metals	-	-	-	9,664	540	10,204
Property, plant and equipment	10,986	-	-	-	-	10,986
Goodwill	809	-	-	-	-	809
Intangible assets	2,414	-	-	-	-	2,414
Investment property	3,798	-	-	-	-	3,798
Other non-financial assets	3,097	2	15	21	78	3,213
TOTAL NON-FINANCIAL ASSETS	21,104	2	15	9,685	618	31,424
TOTAL ASSETS	500,498	156,794	20,460	20,061	1,465	699,278
LIABILITIES						
Financial liabilities at fair value through profit or loss	1,856	3,188	205	51	11	5,311
Due to banks and the Central Bank of the Russian Federation	52,751	39,081	18,513	12,309	505	123,159
Customer accounts	310,939	42,967	14,411	4,221	2,194	374,732
Bonds and Eurobonds	19,153	18,974	-	-	-	38,127
Promissory notes issued	20,460	512	227	-	11	21,210
Other financial liabilities	4,398	80	323	-	7	4,808
Subordinated debt	12,579	31,597	-	-	-	44,176
TOTAL FINANCIAL LIABILITIES	413,023	140,358	39,009	16,907	2,226	611,523
Deferred income tax liabilities	2,747	-	-	-	-	2,747
Other non-financial liabilities	651	14	-	-	-	665
TOTAL NON-FINANCIAL LIABILITIES	3,398	14	-	-	-	3,412
TOTAL LIABILITIES	425,534	136,413	33,679	16,581	2,728	614,935
OPEN BALANCE SHEET POSITION	74,964	20,381	(13,219)	3,480	(1,263)	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(132,562)	(141,655)	(14,231)	(2,839)	(2,224)	(293,511)
Receivables under forward deals	127,263	133,945	28,070	634	3,599	293,511
Payables under spot deals	(23,587)	(60,577)	(25,962)	(10)	(5,565)	(115,701)
Receivables under spot deals	33,025	51,830	25,181	(1)	5,666	115,701
Payables under futures contracts	(4,532)	(8,937)	-	-	-	(13,469)
Receivables under futures contracts	8,937	4,532	-	-	-	13,469
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	8,542	(20,860)	13,058	(2,216)	1,476	
TOTAL OPEN POSITION	83,508	(481)	(161)	1,264	213	
CREDIT CONTINGENT LIABILITIES	203,895	17,554	9,774	-	58	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2011 is presented in the table below:

	RUB	USD 1 USD = RUB 32.1961	Euro 1 EUR = RUB 41.6714	Gold 1 ounce = RUB 50,692.76	Other	31 December 2011 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	32,373	801	773	-	12	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation	6,124	-	-	-	-	6,124
Financial assets at fair value through profit or loss	50,660	26,979	317	-	13	77,969
Loans and advances to banks and other financial institutions	17,847	27,878	6,390	836	740	53,691
Loans to customers	307,301	123,998	16,490	-	116	447,905
Investments available-for-sale	6,350	3,273	67	-	-	9,690
Investments held to maturity	548	-	-	-	-	548
Other financial assets	1,108	36	127	-	-	1,271
TOTAL FINANCIAL ASSETS	422,311	182,965	24,164	836	881	631,157
Precious metals	-	-	-	8,859	539	9,398
Property, plant and equipment	10,990	-	-	-	-	10,990
Goodwill	809	-	-	-	-	809
Intangible assets	2,627	-	-	-	-	2,627
Investment property	3,759	-	-	-	-	3,759
Other non-financial assets	3,285	15	10	22	72	3,404
TOTAL NON-FINANCIAL ASSETS	21,470	15	10	8,881	611	30,987
TOTAL ASSETS	443,781	182,980	24,174	9,717	1,492	662,144
LIABILITIES						
Financial liabilities at fair value through profit or loss	299	3,943	169	93	21	4,525
Due to banks and the Central Bank of the Russian Federation	43,465	32,106	19,495	10,942	639	106,647
Customer accounts	308,448	49,723	17,003	5,636	1,635	382,445
Bonds and Eurobonds	22,592	17,674	-	-	-	40,266
Promissory notes issued	17,316	296	1,284	-	11	18,907
Other financial liabilities	2,790	16	23	-	-	2,829
Subordinated debt	12,584	14,781	-	-	-	27,365
TOTAL FINANCIAL LIABILITIES	407,494	118,539	37,974	16,671	2,306	582,984
Deferred income tax liabilities	2,885	-	-	-	-	2,885
Other non-financial liabilities	545	3	17	-	-	565
TOTAL NON-FINANCIAL LIABILITIES	3,430	3	17	-	-	3,450
TOTAL LIABILITIES	410,924	118,542	37,991	16,671	2,306	586,434
OPEN BALANCE SHEET POSITION	32,857	64,438	(13,817)	(6,954)	(814)	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(115,409)	(161,959)	(20,001)	(4,351)	(1,342)	(303,062)
Receivables under forward deals	144,732	111,163	33,141	11,699	2,327	303,062
Payables under spot deals	(2,259)	(14,831)	(7,174)	-	(10)	(24,274)
Receivables under spot deals	6,567	9,373	8,324	-	10	24,274
Payables under futures contracts	-	(8,768)	-	-	-	(8,768)
Receivables under futures contracts	8,768	-	-	-	-	8,768
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	42,399	(65,022)	14,290	7,348	985	
TOTAL OPEN POSITION	75,256	(584)	473	394	171	
CREDIT CONTINGENT LIABILITIES	168,411	20,957	8,100	-	62	

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 below 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 Russian Federation. 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 below.

While financial assets at fair value through profit or loss are mainly 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 as at 30 June 2012:

	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 2012 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	23,206	-	-	-	-	-	23,206
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	6,416	6,416
Precious metals	10,204	-	-	-	-	-	10,204
Financial assets at fair value through profit or loss	60,819	1,131	3,122	35	-	-	65,107
Loans and advances to banks and other financial institutions	48,787	131	321	4,923	-	-	54,161
Loans to customers	61,103	72,406	169,811	169,964	35,852	-	509,136
Investments available-for-sale	-	40	150	6,203	862	-	7,256
Investments held to maturity	-	-	201	-	25	-	226
Property, plant and equipment	-	-	-	-	-	10,986	10,986
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,414	2,414
Investment property	-	-	-	3,798	-	-	3,798
Other assets	2,620	723	1,934	240	23	19	5,559
TOTAL ASSETS	206,739	74,431	175,539	185,162	36,762	20,644	699,278
LIABILITIES							
Financial liabilities at fair value through profit or loss	2,871	1,147	1,128	165	-	-	5,311
Due to banks and the Central Bank of the Russian Federation	76,030	6,060	25,663	15,268	138	-	123,159
Customer accounts	150,400	60,517	125,806	37,979	30	-	374,732
Bonds and Eurobonds	230	455	13,844	18,600	4,999	-	38,128
Promissory notes issued	8,587	5,034	6,092	1,497	-	-	21,210
Deferred income tax liabilities	-	-	-	-	-	2,747	2,747
Other liabilities	3,201	1,208	1,022	31	1	10	5,473
Subordinated debt	234	-	300	11,470	32,172	-	44,176
TOTAL LIABILITIES	241,553	74,421	173,855	85,010	37,340	2,757	614,936
Liquidity gap	(34,814)	10	1,684	100,152	(578)	-	-
Stable sources of funding (1)	93,609	12,337	53,250	(159,197)	-	-	-
Adjusted liquidity gap (1)	58,795	12,347	54,934	(59,045)	(578)	-	-

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2011:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	33,959	-	-	-	-	-	33,959
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	6,124	6,124
Precious metals	9,398	-	-	-	-	-	9,398
Financial assets at fair value through profit or loss	72,382	1,370	1,764	2,453	-	-	77,969
Loans and advances to banks and other financial institutions	45,707	914	3,849	3,221	-	-	53,691
Loans to customers	44,397	46,874	169,974	156,934	29,726	-	447,905
Investments available-for-sale	64	662	247	6,748	1,969	-	9,690
Investments held to maturity	-	-	-	523	25	-	548
Property, plant and equipment	-	-	-	-	-	10,990	10,990
Goodwill	-	-	-	-	-	809	809
Intangible assets	-	-	-	-	-	2,627	2,627
Investment property	-	-	-	3,759	-	-	3,759
Other assets	1,421	1,414	1,667	154	19	-	4,675
TOTAL ASSETS	207,328	51,234	177,501	173,792	31,739	20,550	662,144
LIABILITIES							
Financial liabilities at fair value through profit or loss	1,024	770	1,450	1,281	-	-	4,525
Due to banks and the Central Bank of the Russian Federation	46,401	17,920	21,034	19,111	2,181	-	106,647
Customer accounts	172,969	82,414	99,622	27,412	28	-	382,445
Bonds and Eurobonds	171	274	6,081	28,741	4,999	-	40,266
Promissory notes issued	4,537	5,770	7,196	1,404	-	-	18,907
Deferred income tax liabilities	-	-	-	-	-	2,885	2,885
Other liabilities	1,978	398	1,008	8	2	-	3,394
Subordinated debt	1	-	228	11,290	15,846	-	27,365
TOTAL LIABILITIES	227,081	107,546	136,619	89,247	23,056	2,885	586,434
Liquidity gap	(19,753)	(56,312)	40,882	84,545	8,683	-	-
Stable sources of funding (1)	77,605	15,368	45,591	(138,564)	-	-	-
Adjusted liquidity gap (1)	57,852	(40,944)	86,473	(54,019)	8,683	-	-

- (1) For liability risk management purposes, the Group monitors the mismatch between asset and liability contractual maturities. In addition, the Group identifies certain financial instruments which represent a relatively stable source of funds, despite its contractually short maturities. These instruments are correspondent accounts of banks included within Due to banks and the Central Bank of the Russian Federation and customer accounts.

These financial instruments are split into homogeneous groups with similar statistical characteristics so that management can estimate the portion of these balances which are not subject to significant risk of reduction in outstanding balances. Large customers with the highest volatility are separated from the groups and pooled together so that management can use a stochastic model that better describes these large customers behaviour on a pool basis. The stable portion is estimated with a preset level of reliability and revised regularly, at least once a quarter.

Although management believes that these components of the correspondent and customer accounts are a stable source of funding, the Group considers that customer accounts related to small, homogeneous deposits will mature in three years while all other stable sources of funding will mature in one year from the balance sheet dates.

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below:

	30 June 2012			31 December 2011		
	Related party transactions	Average effective interest %	Total category as per financial statements caption	Related party transactions	Average effective interest %	Total category as per financial statements caption
Financial assets at fair value through profit or loss:	416		65,107	3,860		77,969
Debt securities						
- companies controlled by shareholders	416	7.49%		2,118	5.77%	
Equity securities and derivative financial instruments						
- companies controlled by shareholders	-			1,742		
Loans and advances to banks and other financial institutions:	17		54,161	17		53,691
Loans to banks and other financial institutions						
Correspondent accounts with banks						
- companies controlled by shareholders	17			17		
Loans to customers, gross:	34,844		529,195	25,711		468,287
- companies controlled by shareholders	34,844	8.75%		25,711	8.93%	
Allowance for impairment of loans to customers	(348)		(20,059)	(629)		(20,382)
- companies controlled by shareholders	(348)			(629)		
Investments available-for-sale	356		7,256	653		9,690
Debt securities						
- companies controlled by shareholders	6	8.35%		303	7.75%	
Equity securities						
- entities under common control	350			350		
Other assets	7		5,559	4		4,675
- companies controlled by shareholders	7			4		
Financial liabilities at fair value through profit or loss	6		5,311	2		4,525
- companies controlled by shareholders	6			2		
Due to banks and the Central Bank of the Russian Federation:	5,116		123,159	5,203		106,647
Time deposits from banks						
- companies controlled by shareholders	5,114	4.07%		5,200	4.04%	
Correspondent accounts of other banks						
- companies controlled by shareholders	2			3		
Customer accounts:	12,071		374,732	29,871		382,445
Time deposits						
- shareholders of the Group	272	5.02%		208	4.04%	
- companies controlled by shareholders	8,549	7.25 %		26,980	5.87%	
Repayable on demand						
- shareholders of the Group	12			1		
- entities under common control	1			-		
- companies controlled by shareholders	3,238			2,682		
Other liabilities	214		5,473	260		3,394
- key management personnel	212			256		
- companies controlled by shareholders	2			4		
Subordinated debt	6,002		44,176	6,000		27,365
- shareholders of the Group	6,002	12.00%		6,000	12.00%	
Commitments on loans and unused credit lines	6,073		102,167	5,157		87,202
- shareholders of the Group	7			-		
- companies controlled by shareholders	6,066			5,157		
Guarantees issued and similar commitments	973		116,200	342		100,356
- companies controlled by shareholders	973			342		
Letters of credit and other contingent commitments related to settlement operations	4		11,086	-		9,972
- companies controlled by shareholders	4			-		

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
Key management personnel compensation:		4,964		4,208
- salary	142		124	
- bonuses	128		247	
- contribution to non-government pension fund	2		1	
	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		30,768		24,301
- entities under common control	-		30	
- companies controlled by shareholders	1,434		1,191	
Interest expense		(15,808)		(11,352)
- shareholders of the Group	(365)		(87)	
- entities under common control	-		(106)	
- companies controlled by shareholders	(489)		(180)	
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		559		2,648
- entities under common control	-		197	
- companies controlled by shareholders	2		757	
Provision for impairment losses on interest bearing assets		(2,153)		(4,203)
- companies controlled by shareholders	419		(99)	
Trading income		1,766		2,036
- shareholders of the Group	3		19	
- companies controlled by shareholders	(364)		(666)	
Fees and commission income		4,882		3,415
- shareholders of the Group	-		1	
- companies controlled by shareholders	270		65	
Fees and commission expense		(1,280)		(802)
- entities under common control	-		(7)	
Other income		510		252
- companies controlled by shareholders	6		13	
Operating expenses		(9,610)		(8,325)
- key management personnel	(276)		(394)	
- companies controlled by shareholders	(28)		(41)	

	Three months ended 30 June 2012		Three months ended 30 June 2011	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
Key management personnel compensation:		2,582		2,488
- salary	59		68	
- bonuses	34		190	
- contribution to non-government pension fund	1		1	
	Three months ended 30 June 2012		Three months ended 30 June 2011	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		15,969		12,503
- entities under common control	-		30	
- companies controlled by shareholders	804		621	
Interest expense		(8,315)		(5,725)
- shareholders of the Group	(182)		(40)	
- entities under common control	-		(106)	
- companies controlled by shareholders	(213)		(31)	
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		133		1,005
- companies controlled by shareholders	-		502	
Provision for impairment losses on interest bearing assets		(796)		(2,012)
- entities under common control	-		2	
- companies controlled by shareholders	142		286	
Trading income		369		1,130
- shareholders of the Group	(1)		(21)	
- companies controlled by shareholders	202		(44)	
Fees and commission income		2,603		2,045
- companies controlled by shareholders	135		33	
Other income		261		196
- companies controlled by shareholders	-		7	
Operating expenses		(5,010)		(4,746)
- key management personnel	(93)		(277)	
- companies controlled by shareholders	(14)		(17)	

25. SUBSEQUENT EVENTS

In April 2012 OJSC «NOMOS-BANK» has completed placement of the issue of Subordinated bonds. The issue of Subordinated bonds was placed in the form of loan participation notes (LPN) in the amount of USD 500 million with maturity of seven years and fixed coupon to be paid per annum.

Starting from July 2012 this subordinated loan was included in supplementary capital for the purpose of capital adequacy ratio calculation in accordance with the Basel Capital Accord due to the CBR permission to include it in the capital calculation for statutory purposes.

In August 2012 the composition of shareholders of the Bank has changed. The PPF Group has sold its share in the Bank.

The subsequent changes in shareholders of the Bank are as follows:

Shareholders	New shareholders structure, %	30 June 2012, %
Shareholders of the Bank (Shareholders of the first level):		
Custodian for Global Depository Receipts on London Stock Exchange*	22.84	22.80
Otkritie Securities Limited	19.90	-
“Vitalpeake limited”	14.51	14.29
“Lordline limited”	15.90	13.84
“Arrowzone limited”	7.95	7.95
“Viewrock limited”	7.11	5.05
“Lordex Investments Limited”	3.50	-
“Lordzone Investments Limited”	3.13	-
“Russia Finance Corporation B.V.”	-	26.53
“Crisandra holdings Ltd”	-	4.12
“Alfa Capital Holdings (Cyprus) Limited”	-	3.25
Other	5.16	2.17
Total	100.00	100.00

Shareholders	New shareholders structure, %	30 June 2012, %
Ultimate shareholders of the Bank:		
Custodian for Global Depository Receipts on London Stock Exchange*	22.80	22.80
Mr. Gudaytis A.A.	15.90	15.90
Mr. Nesis A.N.	14.50	14.29
Mr. Belyaev V.S.	7.98	-
Mr. Dobrinov N.I.	7.11	7.11
Mr. Minz B.I.	4.98	-
Mr. Finogenov I.V.	3.90	3.90
Mr. Sokolov D.V.	3.90	3.90
Mr. Mamut A.L.	3.50	-
Mr. Malis O.A.	3.13	-
Mr. Petropavlovsky A.F.	0.15	0.15
Mr. Kellner P.	-	26.53
Other	12.15	5.42
Total	100.00	100.00

(*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

If the change in shareholder structure had taken place before 30 June 2012, loans to related parties would have increased to RUB 39,236 million from RUB 34,844 million as at 30 June 2012.