“Bank “Saint-Petersburg” OJSC Group

Condensed Consolidated Interim Financial Information and Independent Auditors’ Report on Review

30 June 2010

CONTENTS

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditor's Report

To the Supervisory Board of "Bank "Saint-Petersburg" OJSC Group

We have reviewed the accompanying condensed consolidated interim balance sheet of "Bank "Saint-Petersburg" OJSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2010, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of selected explanatory notes (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2010 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
8 September 2010

(In thousands of Russian Roubles)	Note	30 June 2010 (unaudited)	31 December 2009
ASSETS			
Cash and cash equivalents		27 889 477	21 419 473
Mandatory cash balances with the Central Bank of the Russian Federation		1 553 520	1 373 815
Trading securities	6	20 333 273	29 075 842
Trading securities pledged under sale and repurchase agreements	7	6 946 799	640 540
Amounts receivable under reverse repurchase agreements	8	7 876 873	3 576 299
Loans to banks		1 040 969	5 867 355
Loans and advances to customers	9	157 624 591	158 200 489
Investment securities available-for-sale		81 550	88 245
Investment securities held-to-maturity	10	169 539	180 908
Other financial assets		89 741	149 014
Prepaid income tax		37 421	-
Deferred income tax asset		207 078	305 598
Investment property		2 000 008	2 000 008
Premises and equipment		11 220 744	10 111 954
Intangible assets		635	756
Other assets		463 717	478 059
Long-term assets held-for-sale		1 924 190	2 137 985
TOTAL ASSETS		**239 460 125**	**235 606 340**
LIABILITIES			
Due to banks		19 722 067	16 001 844
Customer accounts	11	166 175 540	175 990 284
Bonds issued	12	8 263 420	3 113 581
Other debt securities in issue		9 052 579	5 150 774
Other borrowed funds	13	10 014 017	9 206 645
Other financial liabilities		276 567	414 554
Income tax liability		-	15 543
Other liabilities		378 595	428 564
TOTAL LIABILITIES		**213 882 785**	**210 321 789**
EQUITY			
Share capital	14	3 629 541	3 629 541
Share premium	14	15 744 164	15 744 164
Revaluation reserve for premises		1 966 015	1 966 015
Revaluation reserve for securities available-for-sale		27 108	32 430
Retained earnings		4 210 512	3 912 401
TOTAL EQUITY		**25 577 340**	**25 284 551**
TOTAL LIABILITIES AND EQUITY		**239 460 125**	**235 606 340**

Approved for issue and signed on behalf of the Supervisory Board on 8 September 2010.

Открытое акционерное общество «Банк «Санкт-Петербург» • ОГРН 1027800000140 • (ОАО «Банк «Санкт-Петербург») • Санкт-Петербург • ИНН 7831000027

A.V. Saveliev
Chairman of the Board

S.E. Lobach
Chief Accountant

The notes set out on pages 5 to 52 form an integral part of this condensed consolidated interim financial information.

(In thousands of Russian Roubles)	**Note**	**Six-month period ended 30 June 2010 (unaudited)**	**Six-month period ended 30 June 2009 (unaudited)**
Interest income	15	12 609 635	12 388 265
Interest expense	15	(6 531 400)	(7 797 928)
Net interest income		**6 078 235**	**4 590 337**
Provision for loan impairment		(3 964 749)	(5 469 494)
Net interest income (loss) after provision for loan impairment		**2 113 486**	**(879 157)**
Gains less losses arising from trading securities		375 232	470 348
Gains less losses arising from investment securities available-for-sale		256	-
(Losses less gains) gains less losses from trading in foreign currencies		(554 830)	427 702
Foreign exchange translation gains less losses		910 073	703 878
Fee and commission income		903 230	946 615
Fee and commission expense		(139 733)	(246 762)
Provision for impairment of items of premises recognized within long-term assets held-for-sale		(213 795)	-
Recovery of provision (provision) for credit related commitments		17 168	(6 274)
Recovery of provision (provision) for investment securities		524	(8 569)
Gains less losses (losses less gains) from sale or early redemption of securities		5 105	(129 934)
Gains from early redemption of liabilities		-	266 697
Other net operating income		90 682	88 308
Administrative and other operating expenses			
- staff costs		(962 311)	(732 089)
- costs related to premises and equipment		(261 206)	(269 348)
- other administrative and operating expenses		(721 022)	(668 104)
Profit (loss) before tax		**1 562 859**	**(36 689)**
Income tax expense		(435 793)	(11 977)
Profit (loss) for the period		**1 127 066**	**(48 666)**
Other comprehensive income (loss) recognised directly in equity			
(Losses) gains on revaluation of investment securities available-for-sale		(6 652)	28 297
Revaluation reserve for premises		-	(171 608)
Deferred income tax recognised in equity related to comprehensive income (loss)		1 330	28 663
Comprehensive income (loss) for the period		**1 121 744**	**(163 314)**
Basic earnings (losses) per share (in Russian Roubles per share)	16	**1.2**	**(0.2)**
Diluted earnings (losses) per share (in Russian Roubles per share)	16	**3.2**	**(0.2)**

		Attributable to equity holders of the Bank					
(In thousands of Russian Roubles)	**Note**	**Share capital**	**Share premium**	**Revaluation reserve for premises**	**Revaluation reserve for investment securities available-for-sale**	**Retained earnings**	**Total equity**
Balance as at 1 January 2009		**3 564 330**	**9 725 450**	**2 209 624**	**-**	**3 305 345**	**18 804 749**
Other comprehensive (loss) income recognised directly in equity		-	-	(137 286)	22 638		(114 648)
Loss for the period		-	-	-	-	(48 666)	(48 666)
Total comprehensive (loss) income for the 6 months ended 30 June 2009 (unaudited)		**-**	**-**	**(137 286)**	**22 638**	**(48 666)**	**(163 314)**
Dividends declared							
- ordinary shares	17	-	-	-	-	(31 037)	(31 037)
- preference shares	17	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2009 (unaudited)		**3 564 330**	**9 725 450**	**2 072 338**	**22 638**	**3 223 431**	**18 608 187**
Balance as at 1 January 2010		**3 629 541**	**15 744 164**	**1 966 015**	**32 430**	**3 912 401**	**25 284 551**
Other comprehensive loss recognised directly in equity		-	-	-	(5 322)	-	(5 322)
Profit for the period		-	-	-	-	1 127 066	1 127 066
Total comprehensive (loss) income for the 6 months ended 30 June 2010 (unaudited)		**-**	**-**	**-**	**(5 322)**	**1 127 066**	**1 121 744**
Dividends declared							
- ordinary shares	17	-	-	-	-	(31 037)	**(31 037)**
- preference shares	17	-	-	-	-	(797 918)	**(797 918)**
Balance as at 30 June 2010 (unaudited)		**3 629 541**	**15 744 164**	**1 966 015**	**27 108**	**4 210 512**	**25 577 340**

(In thousands of Russian Roubles)	**6 months ended 30 June 2010 (unaudited)**	**6 months ended 30 June 2009 (unaudited)**
Net cash from (used in) operating activities	**3 865 682**	**(9 110 048)**
Net cash used in investing activities	**(1 263 494)**	**(1 427 190)**
Net cash from (used in) financing activities	**4 193 967**	**(3 295 656)**
Effect of exchange rate changes on cash and cash equivalents	(326 151)	1 075 551
Net increase (decrease) in cash and cash equivalents	**6 470 004**	**(12 757 343)**
Cash and cash equivalents at the beginning of the period	21 419 473	36 841 326
Cash and cash equivalents at the end of the period	**27 889 477**	**24 083 983**

1 Introduction

This condensed consolidated interim financial information for the six-month period ended 30 June 2010 for “Bank “Saint-Petersburg” OJSC (the Bank) and a controlled special purpose entity BSPB Finance plc (together referred to as the Group or “Bank “Saint-Petersburg” OJSC Group) is prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the privatization process of the former Leningrad regional office of Zhilsotsbank. The Bank is an open joint stock company.

As at 30 June 2010, 29.9% of the ordinary shares of the Bank are controlled by Mr. A.V. Saveliev (31 December 2009: 29.9%), 1.1% of the ordinary shares are owned by ISSARDY HOLDINGS LIMITED (31 December 2009: 8.0%), which is controlled by Mr. V. G. Reutov (80.1%) and Mr. A. V. Saveliev (19.9%). The rest of the management of the Bank controls a further 5.9% of the ordinary shares (31 December 2009: 10.0%). As at 30 June 2010, the company “Systemnye Tehnologii” owns 19.4% of the ordinary shares of the Bank (31 December 2009: 19.4%). Mr. A. V. Saveliev owns 19.0% of “Systemnye Tehnologii”. In addition Mr. A. V. Saveliev has an option to purchase 81.0% of “Systemnye Tehnologii”. This option was signed in 2007 and can be exercised at any time before 1 April 2011. There is no contractual agreement between any members of the management team and Mr. A. V. Saveliev on joint control of the Bank.

Other shareholders of the Bank are: 8.0% of the shares are owned by RUSSIAN DEALERSHIPS HOLDING (RDH) LIMITED, controlled by Mr. U. I. Pilipenko (31 December 2009: 8.0% of the shares are owned by RUSSIAN DEALERSHIPS HOLDING (RDH) LIMITED, controlled by Mr. U. I. Pilipenko). The remaining 35.7% (31 December 2009: 24.7%) of the shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (CBRF) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ “On Retail Deposit Insurance in the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 000 thousand in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

As at 30 June 2010 the Bank has 5 branches within the Russian Federation: 3 branches are located in the North-West region of Russia, 1 branch in Moscow and 1 branch in Nizhny Novgorod and the total number of outlets is 31 (31 December 2009: the Bank had 5 branches within the Russian Federation: 3 branches were located in the North-West region of Russia, 1 branch in Moscow and 1 branch in Nizhny Novgorod and the total number of outlets was 31).

Special purpose entity BSPB Finance plc is used by the Bank for its Eurobond issue (see note 12). Close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund” are used by the Bank for activities with non-core assets (see note 22).

Registered address and place of business. The Bank’s registered address and place of business is: 191167, Russian Federation, Saint Petersburg, Nevskiy Prospect, 178, A.

Presentation currency. This condensed consolidated interim financial information is presented in thousands of Russian Roubles (RR thousands).

2 Operating Environment of the Group

The Russian Federation has been experiencing political and economic changes in recent years that have substantially affected, and may continue to affect, the activities of enterprises operating in the Russian Federation.

Despite the significant influence of the crisis on the Russian economy, currently the positive changes in the majority of macroeconomic indices (including low inflation rate and higher oil prices) support the view that the economy of the Russian Federation is in the phase of gradual recovery after the crisis of 2008-2009.

Principal negative and positive factors affecting the development of the situation in the economics of the Russian Federation are as follows:

Negative factors

- slow lending recovery
- low consumption
- high level of accumulated credit risks in the corporate and retail segments.

Positive factors

- higher level of prices for principal exports of the Russian Federation (in particular, oil prices)
- continuation of growth of real GDP of the Russian Federation
- low inflation rate.

Decrease of interest rates in the second half of 2009 continued during the first 6 months of 2010, though the pace of the decrease slowed significantly. This trend limits the interest margin on banking operations.

Management cannot forecast all the trends that can affect the development of the banking sector and the economy as a whole as well as the effect (if any) they can have on the financial position of the Group in the future. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes which can occur frequently. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The accompanying condensed consolidated interim financial information reflects management’s assessment of the possible impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. As permitted by IAS 34 *Interim Financial Reporting* an entity may decide to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information is prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2009. These policies are consistently applied to all the periods presented. The condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of consolidated financial statements.

The Group maintains its accounting records in accordance with the Russian banking and accounting regulations and laws. This condensed consolidated interim financial information has been prepared from those accounting records and adjusted as necessary in order to be in compliance with IAS 34.

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 requires management to make estimates and exercise professional judgement. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in note 4.

The operations are not of a seasonal or cyclical nature.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Investment securities held-to-maturity. Management determines whether to classify financial assets as held-to-maturity and in particular to demonstrate its intention and ability to hold these assets to maturity. If the Group fails to hold these investments to maturity (except for a particular circumstance – such as sale of insignificant amount of investments shortly before the date of maturity) the Group will have to reclassify all securities of this type into the category of assets available-for-sale. Such reclassified investments will be measured at fair value, not at amortised cost. If all held-to-maturity investment securities were to be reclassified, their carrying value will decrease by RR 36 915 thousand (31 December 2009: RR 28 757 thousand).

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes professional judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 84 674 thousand higher or lower as at 30 June 2010 (31 December 2009: RR 106 021 thousand higher or thousand lower).

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed using *sales comparison* approach i.e., comparison with other premises that were sold or are offered for sale. To the extent that the assessed change in the fair value premises differs by 10%, the effect of the revaluation adjustment would be RR 420 456 thousand (before deferred tax) as at 30 June 2010 (31 December 2009: RR 426 935 thousand).

Frequency of revaluation of premises. Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. Management uses judgement for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Tax legislation. The tax legislation of the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 “Financial Instruments: Recognition and Measurement” requires initial recognition of financial instruments based on their fair values. Professional judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Special Purpose Entities. Professional judgment is required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

5 Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements

Certain new IFRSs and interpretations became effective for the Group from 1 January 2010.

Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (issued in March 2009). The amendments clarify that in case a financial asset is transferred at fair value though profit or loss category, all embedded derivatives are to be measured and, if necessary, accounted for separately. This amendment did not affect this condensed consolidated interim financial information.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods starting on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods starting on or after 1 January 2010). These amendments represent a combination of significant changes and clarifications of standards and interpretations. Companies' contributions to operations under common control and creation of joint ventures are not included in the scope of application of IFRS 2; clarification of disclosure requirements listed in IFRS 5 and other standards for long-term assets (or disposal groups) included in held-for-sale or discontinued operations categories; requirement to reflect in the financial statements indices of total amounts of assets and liabilities for each operating segment in accordance with IFRS 8 only if these amounts are regularly submitted to the chief executive officer responsible for operating decisions; introduction of changes to IAS 1 that permit classification of certain liabilities which are settled with the entity's own equity instruments, as long-term; introduction of changes to IAS 7, according to which only expenses leading to creation of a recognized asset can be classified as investment activities; permission to classify certain long-term land lease operations as financial lease in accordance with IAS 17 even without transfer of ownership of the land by the end of lease; clarification to IAS 36 regarding the fact that a cash generating unit cannot be larger than the operating segment before the combination; introduction of an addition to IAS 38 concerning the evaluation of fair value of intangible assets acquired in the process of business combination; amendment to IAS 39 in respect of (i) inclusion of option contracts that can lead to business combinations in its scope of applicability; (ii) clarifications of the period of transfer of gains and losses on cash flow hedging instruments from equity to profit or loss for a year; and (iii) the assertion that early redemption right is closely connected with the basic contract if in exercising it the borrower compensates the creditor's economic loss; amendment to IFRIC 9 excluding from its scope of application embedded derivatives in the contracts, acquired under operations under common control and creation of joint ventures; and elimination of restriction in IFRIC 16 regarding the fact that hedging instruments cannot be kept within the limits of foreign activity, which in its turn is subject to hedging. These amendments did not have a significant effect on the condensed consolidated interim financial information.

5 Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements (continued)

Certain new standards and amendments have been published that are mandatory for accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not adopted in preparation of these condensed consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendment to IAS 24, Related Party Disclosures *(issued in November 2009, effective for annual periods beginning on or after 1 January 2011).* IAS 24 was revised in 2009: (a) to simplify the definition of a related party, specify its meaning and eliminate contradictions; (b) introduces a partial exemption from the basic disclosure requirements for government-related entities.

IFRS 9 Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces sections of IAS 39 related to classification and measurement of financial assets. Its major differences include:

- Financial assets are subject to classification into two measurement categories: subsequently measured at fair value and subsequently measured at amortised cost. The decision on classification is to be taken at initial recognition. The classification depends on the company's business-model of financial instruments management and on the characteristics of contractual cash flows on the instrument.
- The instrument is subsequently measured at amortised cost only if it is a debt instrument and (i) the company's business-model is aimed at holding the asset for the purpose of receiving contractual cash flows and simultaneously (ii) contractual cash flows on the asset are only payments of the principal amount and interest only (i.e. a financial instrument has only "basic loan characteristics"). All other debt instruments are to be measured at fair value through profit or loss accounts.
- All equity instruments are to be subsequently measured at fair value. Equity instruments held-for-sale will be measured and recognised through the profit or loss account. For other equity investments the decision may be made at initial recognition to recognise unrealised and realised gain or loss on revaluation at fair value in other comprehensive income. In such cases gains and losses arising on revaluation are not transferred to profit or loss. This decision can be made separately for each financial instrument. Dividends are recorded in profit or loss as they represent investment yield.
- Adoption of IFRS 9 is obligatory starting from 1 January 2013. Early adoption is allowed.

Currently the Group is analysing the effect of the adoption of these standards, its influence on the Group and the date of adoption of the standard.

6 Trading Securities

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Corporate bonds	13 788 230	16 610 633
Corporate Eurobonds	3 717 790	2 918 163
Municipal bonds	1 291 317	4 329 720
Federal loan bonds (OFZ bonds)	1 019 614	3 983 378
Russian Federation Eurobonds	-	964 298
Total debt securities	**19 816 951**	**28 806 192**
Corporate shares	516 322	269 650
Total trading securities	**20 333 273**	**29 075 842**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are tradable in the Russian market. These bonds have maturity dates from 5 July 2010 to 29 January 2020 (31 December 2009: from 22 February 2010 to 14 November 2019); coupon rates from 6.9% to 18.5% p.a. (31 December 2009: from 7.1% to 18.5% p.a.) and yields to maturity from minus 11.8% to 13.7% p.a. as at 30 June 2010 (31 December 2009: from minus 6.1% to 13.5% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies and are tradable internationally and off-the-counter Russian market. Corporate Eurobonds have maturity dates from 20 June 2011 to 1 February 2020 (31 December 2009: from 11 February 2010 to 1 February 2020); coupon rates from 7.0% to 11.8% p.a. (31 December 2009: from 6.9% to 11.8% p.a.) and yields to maturity from 4.5% to 9.5% p.a. as at 30 June 2010 (31 December 2009: from 2.2% to 15.3% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Moscow Region, and Samara Region (31 December 2009: municipal administrations of Moscow, Moscow Region, and Samara Region). These bonds are sold at a discount to nominal value, have maturity dates from 19 April 2011 to 16 April 2014 (31 December 2009: from 15 March 2010 to 9 June 2014); coupon rates from 7.6% to 10.0% p.a. (31 December 2009: from 7.6% to 16.0% p.a.) and yields to maturity from 5.1% to 8.7% p.a. as at 30 June 2010 (31 December 2009: from 7.0% to 12.6% p.a.), depending on the type of bond issue.

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 6 July 2011 to 17 October 2012 (31 December 2009: from 6 July 2011 to 27 March 2013); coupon rates from 6.2% to 11.9% p.a. (31 December 2009: from 6.2% to 12.0% p.a.) and yields to maturity from 4.7% to 5.9% p.a. as at 30 June 2010 (31 December 2009: from 7.8% to 8.0% p.a.), depending on the type of bond issue.

As at 30 June 2010 there are no Russian Federation Eurobonds (31 December 2009: Russian Federation Eurobonds were interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and are tradable internationally. These bonds had maturity dates from 31 March 2010 to 31 March 2030; coupon rates from 7.5% to 8.3% p.a.; and yields to maturity from 0.2% to 5.4% p.a. as at 31 December 2009).

Corporate shares are shares of Russian companies and global depositary receipts on shares of Russian companies.

Trading securities are carried at fair value, which also reflects the credit risk of these securities.

6 Trading Securities (continued)

Analysis by credit quality of debt trading securities outstanding at 30 June 2010 is as follows:

(In thousands of Russian Roubles)	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Total
Not overdue or impaired (at fair value)					
Group A	6 600 894	1 265 342	1 291 297	1 019 614	10 177 147
Group B	7 187 330	2 452 448	20	-	9 639 798
Total debt trading securities not overdue or impaired	**13 788 224**	**3 717 790**	**1 291 317**	**1 019 614**	**19 816 945**
Overdue (at fair value) - overdue more than 365 calendar days	6	-	-	-	**6**
Total overdue debt trading securities	**6**	**-**	**-**	**-**	**6**
Total debt trading securities	**13 788 230**	**3 717 790**	**1 291 317**	**1 019 614**	**19 816 951**

As at 30 June 2010 76% of Group B comprise securities with rating BB- and above.

Analysis by credit quality of debt trading securities outstanding at 31 December 2009 is as follows:

(In thousands of Russian Roubles)	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Russian Federation Eurobonds	Total
Not overdue or impaired (at fair value)						
Group A	12 140 750	1 093 987	4 329 698	3 983 378	964 298	22 512 111
Group B	4 469 870	1 824 176	22	-	-	6 294 068
Total debt trading securities not overdue or impaired	**16 610 620**	**2 918 163**	**4 329 720**	**3 983 378**	**964 298**	**28 806 179**
Overdue (at fair value) - overdue from 181 to 365 calendar days	13	-	-	-	-	13
Total overdue debt trading securities	**13**	**-**	**-**	**-**	**-**	**13**
Total debt trading securities	**16 610 633**	**2 918 163**	**4 329 720**	**3 983 378**	**964 298**	**28 806 192**

6 Trading Securities (continued)

Debt trading securities are divided by credit quality types and parameters into the following groups:

Group A – debt securities with credit rating of the issuer at least BBB-.

Group B – other debt securities.

The Bank is licensed by the RF Federal Agency for Financial Markets for trading in securities.

Currency and maturity analyses of trading securities are disclosed in note 19.

7 Trading Securities Pledged Under Sale and Repurchase Agreements

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Federal loan bonds (OFZ bonds)	2 462 099	515 792
Municipal bonds	2 315 104	-
Corporate bonds	2 131 908	-
Corporate shares	37 688	124 748
Total trading securities pledged under sale and repurchase agreements	**6 946 799**	**640 540**

Trading securities pledged under sale and repurchase agreements are represented by Federal loan bonds (OFZ bonds), municipal bonds issued by the municipal administration of Moscow, corporate bonds and corporate shares (31 December 2009: represented by Federal loan bonds (OFZ bonds) and corporate shares).

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 6 July 2011 to 17 October 2012 (31 December 2009: 6 July 2011); coupon rates from 10.0% to 11.3% p.a. (31 December 2009: 10.6% p.a.) and yields to maturity from 4.7% to 5.9% p.a. as at 30 June 2010 (31 December 2009: 7.9% p.a.), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate from 3.2% to 3.3% p.a. (31 December 2009: 12 calendar days with an effective rate of 4.2% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow. These bonds are sold at a discount to nominal value, have maturity dates from 1 June 2011 to 27 June 2012; coupon rates from 8.0% to 10.0% p.a. and yields to maturity from 5.1% to 5.8% p.a. as at 30 June 2010, depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate from 2.6% to 4.4% p.a. (31 December 2009: there were no municipal bonds).

7 Trading Securities Pledged Under Sale and Repurchase Agreements (continued)

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are tradable in the Russian market. These bonds have maturity dates from 26 June 2012 to 16 May 2019; coupon rates from 13.1% to 14.9% p.a. and yields to maturity from 4.3% to 6.8% p.a. as at 30 June 2010, depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate from 2.6% to 3.4% p.a. (31 December 2009: there were no corporate bonds).

Corporate shares are shares of Russian companies. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate of 3.0% p.a. (31 December 2009: corporate shares were shares of Russian companies. The terms of the corresponding repurchase agreements were from 12 to 13 calendar days with an effective rate from 4.2% to 6.4% p.a.).

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 30 June 2010 is as follows:

(In thousands of Russian Roubles)	**Federal loan bonds (OFZ bonds)**	**Municipal bonds**	**Corporate bonds**	**Total**
Group A	2 462 099	2 315 104	2 131 908	**6 909 111**
Total debt trading securities pledged under sale and repurchase agreements	**2 462 099**	**2 315 104**	**2 131 908**	**6 909 111**

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2009 is as follows:

(In thousands of Russian Roubles)	**Federal loan bonds (OFZ bonds)**	**Total**
Group A	515 792	**515 792**
Total debt trading securities pledged under sale and repurchase agreements	**515 792**	**515 792**

For definition of Group A refer to note 6.

As at 30 June 2010 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 5 404 757 thousand. (31 December 2009: included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 500 058 thousand).

As at 30 June 2010 included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 974 588 thousand (31 December 2009: included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 99 245 thousand). Refer to note 11.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in note 19.

8 Amounts Receivable Under Reverse Repurchase Agreements

(In thousands of Russian Roubles)	30 June 2010	31 December 2009
Amounts receivable under reverse repurchase agreements with customers	4 223 339	2 229 032
Amounts receivable under reverse repurchase agreements with banks	3 653 534	1 347 267
Total amounts receivable under reverse repurchase agreements	**7 876 873**	**3 576 299**

As at 30 June 2010 amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by municipal bonds, corporate bonds and corporate shares. As at 30 June 2010 the fair value of securities that serve as collateral under reverse repurchase agreements is RR 5 182 759 thousand (31 December 2009: the fair value of securities that serve as collateral under reverse repurchase agreements was RR 3 352 416 thousand).

Corporate shares with a fair value of RR 2 678 437 thousand, corporate bonds with a fair value of RR 2 236 147 thousand and Federal loan bonds (OFZ bonds) with a fair value of RR 268 175 thousand received as collateral under these agreements are pledged under reverse repurchase agreements.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements is disclosed in note 19.

9 Loans and Advances to Customers

(In thousands of Russian Roubles)	30 June 2010	31 December 2009
Corporate loans		
- loans to finance working capital	107 123 528	108 831 347
- investment loans	51 633 660	47 609 610
- loans to entities financed by the government	4 006 891	3 021 198
Loans to individuals		
- mortgage loans	8 056 864	8 611 732
- car loans	825 775	1 072 441
- consumer loans to VIP clients	4 240 113	3 737 107
- other loans to individuals	1 320 428	1 226 802
Provision for impairment	(19 582 668)	(15 909 748)
Total loans and advances to customers	**157 624 591**	**158 200 489**

As at 30 June 2010 the carrying value of securities reclassified in 2008 to loans and advances to customers amounts to RR 2 794 780 thousand before impairment (31 December 2009: RR 3 532 768 thousand).

Securities reclassified to loans and advances to customers were analysed by the Group for indications of significant decrease in estimated future cash flows and where necessary a provision for impairment was made. As at 30 June 2010, the amount of provision for impairment is RR 96 332 thousand (31 December 2009: RR 66 717 thousand). The remaining securities recognised in loans and advances to customers are current.

9 Loans and Advances to Customers (continued)

Movements in the provision for loan impairment during the six-month period ended 30 June 2010 are as follows:

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 31 December 2009	**14 911 138**	**998 610**	**15 909 748**
Provision for impairment during the period	3 753 919	205 426	**3 959 345**
Amounts written off during the period as uncollectible	(285 735)	(690)	**(286 425)**
Provision for loan impairment at 30 June 2010	**18 379 322**	**1 203 346**	**19 582 668**

Movements in the provision for loan impairment during the six-month period ended 30 June 2009 are as follows:

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Provision for impairment at 31 December 2008	**5 362 428**	**479 474**	**5 841 902**
Provision for impairment during the period	5 079 787	405 292	5 485 079
Amounts written off during the period as uncollectible	(18 430)	(1 149)	(19 579)
Provision for loan impairment at 30 June 2009	**10 423 785**	**883 617**	**11 307 402**

Economic sector risk concentrations within the customer loan portfolio are as follows:

	30 June 2010		**31 December 2009**	
(In thousands of Russian Roubles)	**Amount**	**%**	**Amount**	**%**
Trade	26 875 876	15.2	25 246 314	14.5
Heavy machinery and ship-building	25 664 541	14.5	31 004 948	17.8
Construction	22 659 296	12.8	21 149 810	12.1
Real estate	17 511 077	9.9	18 508 914	10.6
Individuals	14 443 180	8.2	14 648 082	8.4
Leasing and financial services	13 698 550	7.7	14 495 663	8.3
Production and food industry	9 292 084	5.2	10 983 231	6.3
Oil and gas extraction and transportation	8 544 817	4.8	8 496 896	4.9
Sports and health and entertainment organizations	7 432 339	4.2	5 031 747	2.9
Chemical industry	7 173 815	4.0	3 784 420	2.2
Transport	5 712 613	3.2	5 682 991	3.3
Entities financed by the government	5 579 747	3.1	3 021 198	1.7
Energy	2 278 502	1.3	1 350 055	0.8
Telecommunications	1 480 909	0.8	1 626 836	0.9
Other	8 859 913	5.1	9 079 132	5.3
Total loans and advances to customers (before provision for loan impairment)	**177 207 259**	**100.0**	**174 110 237**	**100.0**

9 Loans and Advances to Customers (continued)

As at 30 June 2010, the 20 largest borrowers had aggregated loan amounts of RR 62 886 515 thousand (31 December 2009: RR 61 266 801 thousand), or 35.5% (31 December 2009: 35.2%) of the loan portfolio before provision for loan impairment.

Most of the loans to customers are secured by collateral. Collateral for loans may comprise the Bank's deposits, promissory notes issued by the Bank, real estate, premises and equipment and other types of collateral.

Mortgage loans are secured by the underlying real estate.

Car loans are secured by the underlying car.

Impaired and overdue loans of RR 18 742 402 thousand are secured by collateral with a carrying value of RR 26 855 267 thousand. For the remaining impaired and overdue loans of RR 6 077 677 thousand there is no collateral or it is impracticable to determine the fair value of collateral.

The following tables provide information on the loans and advances to customers, their credit quality and the related provision for impairment as at 30 June 2010:

(In thousands of Russian Roubles)	**Loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total loans and advances to customers (after provision for impairment)**	**Provision for impairment to current loans, %**
Loans and advances to legal entities				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	133 490 282	(7 775 302)	125 714 980	5.82
Watch list loans not past due	5 996 868	(451 136)	5 545 732	7.52
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	12 173 516	(3 274 476)	8 899 040	26.90
Overdue:				
- less than 5 calendar days	8 750	(2 282)	6 468	26.08
- 31 to 60 calendar days	87 535	(16 310)	71 225	18.63
- 61 to 90 calendar days	378 544	(140 787)	237 757	37.19
- 91 to 180 calendar days	2 073 936	(784 322)	1 289 614	37.82
- 181 to 365 calendar days	287 615	(105 988)	181 627	36.85
- more than 365 calendar days	5 032 707	(2 594 393)	2 438 314	51.55
Uncollectible loans	3 234 326	(3 234 326)	-	100.00
Total loans and advances to legal entities	**162 764 079**	**(18 379 322)**	**144 384 757**	**11.29**
Loans and advances to individuals				
- mortgage loans	8 056 864	(477 180)	7 579 684	5.92
- car loans	825 775	(120 010)	705 765	14.53
- consumer loans to VIP clients	4 240 113	(528 844)	3 711 269	12.47
- other loans to individuals	1 320 428	(77 312)	1 243 116	5.86
Total loans and advances to individuals	**14 443 180**	**(1 203 346)**	**13 239 834**	**8.33**
Total loans and advances to customers	**177 207 259**	**(19 582 668)**	**157 624 591**	**11.05**

9 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	7 434 674	710 286	3 517 281	1 237 789	12 900 030
Overdue:					
- less than 5 calendar days	22 055	4 061	-	13 918	40 034
- 6 to 30 calendar days	119 341	14 079	-	2 584	136 004
- 31 to 60 calendar days	42 927	4 141	-	2 587	49 655
- 61 to 90 calendar days	50 955	4 424	52 037	5 334	112 750
- 91 to 180 calendar days	52 707	9 543	44 985	17 576	124 811
- 181 to 365 calendar days	109 610	19 162	37 130	24 428	190 330
- more than 365 calendar days	224 595	60 079	588 680	16 212	889 566
Total loans and advances to individuals	**8 056 864**	**825 775**	**4 240 113**	**1 320 428**	**14 443 180**
Provision for impairment	**(477 180)**	**(120 010)**	**(528 844)**	**(77 312)**	**(1 203 346)**
Total loans and advances to individuals	**7 579 684**	**705 765**	**3 711 269**	**1 243 116**	**13 239 834**

9 Loans and Advances to Customers (continued)

Loans and advances to customers and the related provision for impairment as well as an analysis of their credit quality as at 31 December 2009 are as follows:

(In thousands of Russian Roubles)	**Loans and advances to customers (before provision for impairment)**	**Provision for impairment**	**Total loans and advances to customers (after provision for impairment)**	**Provision for impairment to current loans, %**
Loans and advances to legal entities				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	128 096 458	(5 338 874)	122 757 584	4.17
Watch list loans not past due	7 606 405	(625 206)	6 981 199	8.22
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	12 423 746	(3 010 721)	9 413 025	24.23
Overdue:				
- less than 5 calendar days	1 023 182	(43 325)	979 857	4.23
- 6 to 30 calendar days	175 583	(11 392)	164 191	6.49
- 31 to 60 calendar days	51 300	(3 451)	47 849	6.73
- 61 to 90 calendar days	53 799	(7 483)	46 316	13.91
- 91 to 180 calendar days	176 358	(45 640)	130 718	25.88
- 181 to 365 calendar days	6 792 714	(2 762 436)	4 030 278	40.67
Uncollectible loans	3 062 610	(3 062 610)	-	100.00
Total loans and advances to legal entities	**159 462 155**	**(14 911 138)**	**144 551 017**	**9.35**
Loans and advances to individuals				
- mortgage loans	8 611 732	(396 820)	8 214 912	4.61
- car loans	1 072 441	(111 295)	961 146	10.38
- consumer loans to VIP clients	3 737 107	(447 655)	3 289 452	11.98
- other loans to individuals	1 226 802	(42 840)	1 183 962	3.49
Total loans and advances to individuals	**14 648 082**	**(998 610)**	**13 649 472**	**6.82**
Total loans and advances to customers	**174 110 237**	**(15 909 748)**	**158 200 489**	**9.14**

9 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	7 970 049	953 238	3 114 054	1 135 803	13 173 144
Overdue:					
- less than 5 calendar days	13 486	7 068	-	22 599	43 153
- 6 to 30 calendar days	196 769	20 920	-	5 961	223 650
- 31 to 60 calendar days	21 787	8 632	-	2 721	33 140
- 61 to 90 calendar days	25 779	6 012	-	3 833	35 624
- 91 to 180 calendar days	165 643	12 118	37 000	23 753	238 514
- 181 to 365 calendar days	127 736	34 156	586 053	21 194	769 139
- more than 365 calendar days	90 483	30 297	-	10 938	131 718
Total loans and advances to individuals	**8 611 732**	**1 072 441**	**3 737 107**	**1 226 802**	**14 648 082**
Provision for impairment	**(396 820)**	**(111 295)**	**(447 655)**	**(42 840)**	**(998 610)**
Total loans and advances to individuals	**8 214 912**	**961 146**	**3 289 452**	**1 183 962**	**13 649 472**

The Bank estimates loan impairment for loans to legal entities based on an analysis of the expected future cash flows for impaired loans based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows primarily comprises real estate. Valuations for real estate are discounted by 30 - 50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment are identified, in determining the impairment provision the Bank adjusts historic loss rates to factor in the deterioration of the loan portfolio, as evidenced by the rate of increase in the level of impaired and overdue loans arising from current market conditions. The impairment provision reflects management's estimate of the losses in the portfolio as at 30 June 2010.

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience adjusted for current economic conditions.

As of 30 June 2010 the Bank renegotiated commercial loans that would otherwise be past due or impaired of RR 9 512 251 thousand (31 December 2009: RR 9 883 268 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. This category includes loans, the terms of agreement of which have been changed, but the analysis of the financial and economic activities and other information shows that there are no further negative tendencies that can influence the borrowers' ability to repay the loan in full. This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement. Renegotiated loans are included in standard loans not past due unless the borrower fails to comply with the renegotiated terms.

As of 30 June 2010 the Bank renegotiated commercial loans that are currently impaired (there were individual signs of impairment identified for these loans) of RR 7 146 790 thousand (31 December 2009: RR 6 991 328 thousand). This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement.

9 Loans and Advances to Customers (continued)

Loans and advances to customers are classified as "Standard loans not past due" when they do not have any overdue payments as at reporting date and the management does not have any information about existence of any factors which could influence the ability of the borrower to repay the loan in full and in time.

Loans and advances to customers are classified as "Watch list loans not past due" when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including external environment, indicate the stable position of the borrower, however the analysis of the economic and financial activity of the borrower indicates some negative tendencies that could have a non-significant impact on the ability of the borrower to repay its loan in the future on a timely basis.

The primary factors that the Group considers when deciding whether a loan is individually impaired is its overdue/restructured status and/or occurrence of any factors which may make it doubtful whether the borrowers are able to repay the full amounts owed to the Group on a timely basis.

Currency and maturity analyses of loans and advances to customers are disclosed in note 19. Information on related party balances is disclosed in note 21.

10 Investment Securities Held-to-Maturity

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Corporate bonds	188 565	200 458
Provision for impairment	(19 026)	(19 550)
Total investment securities held-to-maturity	**169 539**	**180 908**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies, and are tradable in the Russian market. These bonds have maturity dates from 29 September 2011 to 2 December 2011 (31 December 2009: from 21 March 2010 to 2 December 2011), coupon rates from 12.3% to 13.0% p.a. (31 December 2009: from 12.2% to 16.5%) and yields to maturity as at 30 June 2010 from 12.6% to 13.4% p.a. (31 December 2009: from 12.6% to 17.3% p.a.), depending on the type of bond issue.

Movements in the held-to-maturity investment securities portfolio are as follows:

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Carrying value as of 1 January	**200 458**	**797 431**
Redemption of securities	(11 858)	(607 758)
Accrued interest income	8 101	26 206
Interest received	(8 136)	(15 421)
Carrying value as at the reporting date	**188 565**	**200 458**

Analysis of movements in the provision for impairment of held-to maturity investment securities during the six-month period ended 30 June 2010 and 30 June 2009 is as follows:

(In thousands of Russian Roubles)	**30 June 2010**	**30 June 2009**
Provision for impairment at 1 January	**19 550**	**19 840**
(Recovery of provision) provision for impairment during the period	(524)	7 307
Provision for impairment at 30 June	**19 026**	**27 147**

10 Investment Securities Held-to-Maturity (continued)

The Group analyses and monitors impairment indicators in respect of these securities and where necessary a provision for impairment is made. The Group holds overdue securities held-to-maturity of one issuer.

Analysis by credit quality of debt investment securities held-to-maturity as at 30 June 2010 is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**
Not past due or impaired debt securities	
- Group B	136 296
Debt securities individually characterised as impaired	
- Overdue more than 365 calendar days	52 269
Total debt investment securities held-to-maturity before provision for impairment	**188 565**

Analysis by credit quality of debt investment securities held-to-maturity as at 31 December 2009 is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**
Not past due or impaired debt securities	
- Group B	148 189
Debt securities individually characterised as impaired	
- Overdue from 181 to 365 calendar days	52 269
Total debt investment securities held-to-maturity before provision for impairment	**200 458**

Currency and maturity analyses of investment securities held-to-maturity are disclosed in note 19.

11 Customer Accounts

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
State and public organisations		
- Current/settlement accounts	1 806 898	1 133 719
- Term deposits	2 906 832	3 013 377
Other legal entities		
- Current/settlement accounts	39 204 428	34 111 267
- Term deposits	53 517 569	75 896 998
- Sale and repurchase agreements	2 893 743	1 104 665
Individuals		
- Current/settlement accounts	12 349 878	11 318 855
- Term deposits	53 496 192	49 411 403
Total customer accounts	**166 175 540**	**175 990 284**

State and public organisations exclude government owned profit oriented businesses.

11 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

	30 June 2010		31 December 2009	
(In thousands of Russian Roubles)	**Amount**	**%**	**Amount**	**%**
Individuals	65 846 070	39.6	60 730 258	34.5
Financial services	27 331 151	16.5	32 721 435	18.6
Construction	16 890 195	10.2	16 631 120	9.5
Trade	12 702 568	7.6	15 717 421	8.9
Production	10 499 810	6.3	16 154 239	9.2
Transport	7 858 793	4.7	7 075 844	4.0
Real estate	7 324 457	4.4	6 562 649	3.7
Art, science and education	4 637 100	2.8	5 330 379	3.0
Cities and municipalities	4 585 205	2.8	4 372 827	2.5
Public utilities	3 215 533	1.9	2 659 522	1.5
Energy	1 715 460	1.0	1 047 464	0.6
Medical institutions	359 702	0.2	298 149	0.2
Communications	130 707	0.1	124 644	0.1
Other	3 078 789	1.9	6 564 333	3.7
Total customer accounts	**166 175 540**	**100.0**	**175 990 284**	**100.0**

As at 30 June 2010, included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 974 588 thousand (31 December 2009: included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 99 245 thousand). Securities pledged under these sale and repurchase agreements are municipal bonds with the fair value of RR 947 768 thousand; corporate bonds with the fair value of RR 77 861 thousand; and corporate shares with the fair value of RR 37 688 thousand (31 December 2009: securities pledged under these sale and repurchase agreements were corporate shares with the fair value of RR 124 748 thousand). Refer to note 7.

As at 30 June 2010, included in customer accounts are sale and repurchase agreements with legal entities on securities received under sale and repurchase agreements with legal entities in the amount of RR 1 919 155 thousand (31 December 2009: included in customer accounts are sale and repurchase agreements with legal entities on securities received under sale and repurchase agreements with legal entities in the amount of RR 1 005 420 thousand).

As at 30 June 2010, included in customer accounts are deposits in the amount of RR 2 421 147 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2009: RR 2 459 020 thousand).

Currency and maturity analyses of customer accounts are disclosed in note 19. The information on related party balances is disclosed in note 21.

12 Bonds Issued

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Bonds	5 050 602	-
Subordinated Eurobonds	3 212 818	3 113 581
Total bonds issued	**8 263 420**	**3 113 581**

On 13 April 2010 the Group issued 5 000 000 interest-bearing Russian Rouble denominated bonds (one bond – RR 1 000; the bonds were placed at nominal value); the bonds' maturity period is 1 092 days, the coupon period is 182 days, this placement rate is set for three coupon periods. As at 30 June 2010, the carrying value of these bonds is RR 5 050 602 thousand and the coupon yield is 8.1% p.a. (31 December 2009: there were no interest-bearing Russian Rouble denominated bonds).

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 30 June 2010, the carrying value of these bonds was USD 102 990 thousand, the equivalent of RR 3 212 818 thousand (31 December 2009: USD 102 948 thousand, the equivalent of RR 3 113 581 thousand). These subordinated Eurobonds have a maturity of 25 July 2017. The Bank has an early redemption option at nominal value on 25 July 2012. The nominal coupon rate is 10.5% p.a. and the effective interest rate is 11.1% p.a.

In the event of liquidation of the Bank, the claims of repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

Currency and maturity analyses of bonds issued are disclosed in note 19.

13 Other Borrowed Funds

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Subordinated loans	5 314 041	5 430 428
Funds attracted from VTB Bank	1 917 291	602 961
Funds attracted from KFW IPEX-Bank Gmbh	935 729	1 103 685
Syndicated funds attracted	775 440	750 823
Funds attracted from Nordic Investment Bank	695 199	771 350
Funds attracted from EBRD	376 317	547 398
Total other borrowed funds	**10 014 017**	**9 206 645**

In August 2009 the Group attracted a subordinated loan from Vnesheconombank (VEB) in the amount of RR 1 466 000 thousand with interest rate of 8.0% p.a. and maturity in 2014. As at 30 June 2010, the carrying value of this loan is RR 1 465 502 thousand (31 December 2009: RR 1 465 261 thousand).

In June 2009 the Group attracted a subordinated loan in the amount of USD 75 000 thousand arranged by the European Bank for Reconstruction and Development (EBRD). The loan is granted for the period of 10 years and 6 months, with repayment in 2020. The interest rate during the first five years is 13.4% p.a. As at 30 June 2010, the carrying value of this loan is USD 78 457 thousand, the equivalent of RR 2 447 484 thousand (31 December 2009: USD 78 740 thousand, the equivalent of RR 2 373 250 thousand).

13 Other Borrowed Funds (continued)

In December 2008, the Group attracted a subordinated loan in the amount of EUR 36 690 thousand with maturity in December 2014. As at 30 June 2010, the carrying value of this subordinated loan is EUR 36 690 thousand, the equivalent of RR 1 401 055 thousand (31 December 2009: EUR 36 690 thousand, the equivalent of RR 1 591 917 thousand). This subordinated loan was attracted at a fixed interest rate of 14.5% p.a.

In the event of liquidation of the Bank, the claims of repayment of subordinated loans are subordinated to the claims of all other creditors and depositors of the Bank.

On 19 February 2010 the Group attracted a loan in the amount of USD 20 000 thousand from VTB Bank (Deutschland) AG to finance trading contracts for clients. This loan has a maturity of on 18 August 2010 and fixed interest rate of 6.0% p.a. As at 30 June 2010 the carrying value of the loan is USD 20 436 thousand, the equivalent of RR 637 530 thousand. As at 30 June 2010, the interest rate on the loan is 6.0% p.a.

On 21 January 2010 the Group attracted a loan in the amount of USD 20 000 thousand from VTB Bank (France) to finance trading contracts for clients. This loan has a maturity of 24 January 2011 and interest rate of LIBOR + 6% p.a. As at 30 June 2010, the carrying value of the loan is USD 20 612 thousand, the equivalent of RR 642 986 thousand. As at 30 June 2010, the interest rate on the loan is 6.88 % p.a.

On 27 May 2009 the Group attracted a loan in the amount of USD 20 000 thousand from VTB Bank (Deutschland) AG to finance trading contracts for clients. This loan has a maturity of 26 November 2010 and interest rate of LIBOR + 7% p.a. As at 30 June 2010, the carrying value of the loan is USD 20 412 thousand, the equivalent of RR 636 775 thousand (31 December 2009: USD 19 936 thousand, the equivalent of RR 602 961 thousand). As at 30 June 2010, the interest rate on the loan is 7.4 % p.a.

On 16 July 2008 the Group attracted a loan arranged by KFW IPEX-Bank Gmbh in the amount of USD 35 000 thousand with maturity in June 2013. The interest rate on this loan is LIBOR + 6.12% p.a. The Group started the scheduled repayment of the loan and as at 30 June 2010 USD 5 000 thousand of principal amount was repaid. As at 30 June 2010, the carrying value of this loan is USD 29 996 thousand, the equivalent of RR 935 729 thousand (31 December 2009: USD 36 492 thousand, the equivalent of RR 1 103 685 thousand). The interest rate on this loan is 9.987% p.a.

On 26 June 2008 the Group attracted a syndicated loan in the amount of USD 100 000 thousand arranged by EBRD in 2 tranches. The first tranche of USD 25 000 thousand has the maturity date of 23 June 2012 and interest rate of LIBOR + 3.45% p.a. The second tranche of USD 75 000 thousand (now repaid) had a maturity on 23 December 2009 and the interest rate was LIBOR + 2.75% p.a. The participants of this syndicated loan are 14 non-resident banks. As at 30 June 2010 the carrying value of this loan was USD 24 858 thousand, the equivalent of RR 775 440 thousand (31 December 2009: USD 24 825 thousand, the equivalent of RR 750 823 thousand). The interest rate on the first tranche of this loan is 4.2% p.a. as at 30 June 2010.

On 6 September 2007 and on 20 November 2007 the Group attracted four tranches of the loan facility provided by Nordic Investment Bank. The Group allocated the raised amounts for funding certain projects. As at 30 June 2010 the carrying value of this loan is USD 22 285 thousand, the equivalent of RR 695 199 thousand (31 December 2009: USD 25 503 thousand, the equivalent of RR 771 350 thousand). The loan facility matures on 3 October 2015. During the six-month period ended 30 June 2010, USD 3 201 thousand of principal amount was repaid. The interest rate on the loan ranges from LIBOR+2.6% p.a. to LIBOR+2.95% p.a., depending on maturity dates of the tranches. As at 30 June 2010 the interest rate on the loan ranges from 3.0% to 3.4% p.a.

13 Other Borrowed Funds (continued)

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group attracted three tranches of the loan provided by EBRD in the amount of USD 10 000 thousand each, which should be repaid before November 2011 as scheduled. This loan was issued for the purposes of funding loans to small and medium businesses. Starting from November 2008 the Group started the scheduled repayment of the loan and as at 30 June 2010 USD 18 000 thousand of principal amount was repaid. As at 30 June 2010 the carrying value of this loan is USD 12 063 thousand, the equivalent of RR 376 317 thousand (31 December 2009: USD 18 099 thousand, the equivalent of RR 547 398 thousand).The interest rate on the loan is LIBOR + 2.8% p.a. As at 30 June 2010 the interest rate on the loan is 3.3% p.a.

The Group should observe certain covenants relating to attraction of syndicated loans, subordinated loans and funds from EBRD, KFW IPEX-Bank Gmbh, Nordic Investment Bank, VTB Bank (Deutschland) AG, VTB Bank (France). Non-compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings and declaration of default (excluding subordinated loans). The Group meets all covenants of the loan agreements as at 30 June 2010 and 31 December 2009.

Currency and maturity analyses of other borrowed funds are disclosed in note 19. The information on related party balances is disclosed in note 21.

14 Share Capital

(In thousands of Russian Roubles)	**Number of outstanding ordinary shares (thousand)**	**Number of outstanding preference shares (thousand)**	**Ordinary shares**	**Preference shares**	**Share premium**	**Total**
As at 1 January 2009	**282 150**	**20 100**	**3 386 879**	**177 451**	**9 725 450**	**13 289 780**
New shares issued	-	65 211	-	65 211	6 018 714	**6 083 925**
As at 31 December 2009	**282 150**	**85 311**	**3 386 879**	**242 662**	**15 744 164**	**19 373 705**
New shares issued	-	-	-	-	-	-
As at 30 June 2010	**282 150**	**85 311**	**3 386 879**	**242 662**	**15 744 164**	**19 373 705**

As at 30 June 2010 the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 367 461 thousand (31 December 2009: RR 367 461 thousand). At 30 June 2010, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (31 December 2009: RR 1 per share). Each share carries one vote.

As at 30 June 2010, the Group has two types of preference shares:

- preference shares with a nominal value of RR 1 in the amount of 20 100 000

- type A preference shares with a nominal value of RR 1 in the amount of 65 211 000.

14 Share Capital (continued)

The preference shares carry no voting rights and are not redeemable.

Preference share dividends are set at 11.0% p.a. and rank above ordinary share dividends and type A preference share dividends.

Dividend per one type A preference share is Rouble denominated and is set at 13.5% of the placement price of one type A preference share fixed in US dollars. The Rouble equivalent is calculated using the exchange rate set by the CBRF as at the date the Supervisory Board accepts recommendations in respect of the amount of dividends on type A preference shares.

One type A preference share with a nominal value of RR 1 is convertible into one ordinary share with a nominal value of RR 1 on 15 May 2013.

If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares of all types are not cumulative.

Share premium represents the excess of contributions received over the nominal value of shares issued.

15 Interest Income and Expense

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2010**	**Six-month period ended 30 June 2009**
Interest income		
Loans and advances to customers	10 990 652	11 363 138
Trading securities	1 368 829	358 312
Loans to banks	116 153	488 487
Amounts receivable under reverse repurchase agreements	99 418	108 426
Correspondent accounts with banks	23 838	9 079
Investment securities held-to-maturity	10 745	60 823
Total interest income	**12 609 635**	**12 388 265**
Interest expense		
Term deposits of legal entities	2 772 014	2 940 636
Term deposits of individuals	2 382 181	2 052 955
Other borrowed funds	477 642	460 077
Due to banks	327 491	1 734 044
Other debt securities in issue	251 928	143 269
Bonds issued	249 078	421 902
Current/settlement accounts	71 066	45 045
Total interest expense	**6 531 400**	**7 797 928**
Net interest income	**6 078 235**	**4 590 337**

16 Earnings per Share

Basic earnings (losses) per share is calculated by dividing the net profit (loss) attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period less treasury shares.

The Group has dilutive potential type A preference shares. Refer to note 14.

Basic earnings (losses) per share are calculated as follows:

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2010**	**Six-month period ended 30 June 2009**
Profit (loss) attributable to shareholders	1 127 066	(48 666)
Less preference dividends	(797 918)	(2 211)
Profit (loss) attributable to ordinary shareholders	329 148	(50 877)
Weighted average number of ordinary shares in issue (thousands)	282 150	282 150
Basic earnings (losses) per share (expressed in RR per share)	**1.2**	**(0.2)**

Diluted earnings (losses) per share are calculated as follows:

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2010**	**Six-month period ended 30 June 2009**
Profit (loss) attributable to shareholders	1 127 066	(48 666)
Less preference dividends	(2 211)	(2 211)
Profit (loss) attributable to ordinary shareholders	1 124 855	(50 877)
Average weighted diluted number of shares (thousands)	347 361	282 150
Diluted earnings (losses) per share (expressed in RR per share)	**3.2**	**(0.2)**

17 Dividends

	Six-month period ended 30 June 2010			Six-month period ended 30 June 2009	
(In thousands of Russian Roubles)	**Ordinary shares**	**Type A preference shares**	**Preference shares**	**Ordinary shares**	**Preference shares**
Dividends payable as at 1 January	**3 524**	**-**	**-**	**2 626**	**-**
Dividends declared during the period	31 037	795 707	2 211	31 037	2 211
Dividends paid during the period	(29 823)	(795 707)	(2 211)	(27 933)	(2 211)
Dividends payable as at 30 June	**4 738**	**-**	**-**	**5 730**	**-**
Dividends per share declared during the year (RR per share)	**0.11**	**12.20**	**0.11**	**0.11**	**0.11**

All dividends were declared and paid in Russian Roubles.

18 Segment Analysis

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The chief operating decision maker can be a person or a group of people responsible for distribution of resources and evaluation of the company's business results. The Management Board performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency transactions with commercial and state entities.
- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.
- Retail banking – private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and VIP clients.

Transactions between the business segments are carried out on an arm's length basis. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

Factors used by the management to define reporting segments

The Group's segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss, assets and liabilities of operating segments

The chief operating decision maker analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances

(ii) differences in the classification of securities to portfolios

(iii) income taxes are not distributed to segments

(iv) provision for loans are recognized based on Russian legislation, and not on the basis of the model of "incurred losses" specified in IAS 39

(v) fee and commission income on lending operations is recognized immediately and not in the future periods using the effective interest method

18 Segment Analysis (continued)

(vi) liabilities on unutilized leave are not taken into account.

The chief operating decision maker evaluates the business segment results based on the amount of profit before taxes paid.

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the main reporting business segments for the six-month period ended 30 June 2010 is set out below (in accordance with the management information).

(In thousands of Russian Roubles)	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
Six-month period ended 30 June 2010						
External revenues	10 637 650	1 910 244	982 447	-	-	**13 530 341**
Revenues from other segments	4 447 045	10 766 324	2 717 658	-	(17 931 027)	**-**
Total revenues	**15 084 695**	**12 676 568**	**3 700 105**	**-**	**(17 931 027)**	**13 530 341**
Total revenues comprise:						
- Interest income	14 439 193	12 608 867	3 407 258	-	(17 931 027)	12 524 291
- Fee and commission income	619 625	9 825	290 389	-	-	919 839
- Other operating income	25 877	57 876	2 458	-	-	86 211
Segment results	**(2 649 832)**	**4 991 566**	**(197 249)**	**-**	**-**	**2 144 485**
Unallocated costs	-	-	-	(1 387 425)	-	(1 387 425)
Profit before tax						**757 060**
Income tax expense	-	-	-	(348 263)	-	(348 263)
(Loss) profit	**(2 649 832)**	**4 991 566**	**(197 249)**	**(1 735 688)**	**-**	**408 797**
Other segment items						
Depreciation and amortization charge	(35 722)	(6 091)	(26 692)	(65 653)	-	(134 158)
Provision for loan impairment	(4 314 240)	1 482	(207 356)	-	-	(4 520 114)
As at 30 June 2010						
Segment assets	**148 315 452**	**68 124 071**	**14 825 211**	**31 754 750**	**-**	**263 019 484**

18 Segment Analysis (continued)

Assets and liabilities segment information for the main reporting business segments as of 31 December 2009 and profit or loss segment information for the main reporting business segments for the six-month period ended 30 June 2009 are set out below (in accordance with the management information).

(In thousands of Russian Roubles)	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Eliminations**	**Total**
Six-month period ended 30 June 2009						
External revenues	10 985 851	882 470	1 255 850	-	-	**13 124 171**
Revenues from other segments	4 597 114	11 506 519	3 120 898	-	(19 224 531)	**-**
Total revenues	**15 582 965**	**12 388 989**	**4 376 748**	**-**	**(19 224 531)**	**13 124 171**
Total revenues comprise:						
- Interest income	14 772 157	12 343 774	4 120 484	-	(19 224 531)	12 011 884
- Fee and commission income	744 620	15 704	252 570	-	-	1 012 894
- Other operating income	66 188	29 511	3 694	-	-	99 393
Segment results	**(625 795)**	**2 032 506**	**425 494**	**-**	**-**	**1 832 205**
Unallocated costs	-	-	-	(922 612)	-	(922 612)
Profit before tax	**-**	**-**	**-**	**-**	**-**	**909 593**
Income tax expense	-	-	-	(518 373)		(518 373)
(Loss) profit	**(625 795)**	**2 032 506**	**425 494**	**(1 440 985)**	**-**	**391 220**
Other segment items						
Depreciation and amortization charge	(33 645)	(9 559)	(25 779)	(74 548)	-	(143 531)
Provision for loan impairment	(3 810 451)	(43 375)	(524 282)	-	-	(4 378 108)
As at 31 December 2009						
Segment assets	**147 541 387**	**62 940 121**	**13 782 889**	**28 353 974**	**-**	**252 618 371**

18 Segment Analysis (continued)

Reconciliation of assets in accordance with the management information to the IFRS results as at 30 June 2010 and 31 December 2009 is set out below:

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Total for the reporting segments	**263 019 484**	**252 618 371**
Adjustment of provision for impairment	(19 824 268)	(15 939 637)
Adjustments of income/expense accruals	377 891	285 860
Premises, equipment and intangible assets depreciation and fair value adjustment	(744 736)	(606 762)
Fair value and amortized cost adjustments	934 911	655 542
Income tax adjustments	244 499	305 598
Netting of assets additionally accounted in management information	(5 563 950)	(2 932 541)
Other adjustments	1 016 294	1 219 909
Total in accordance with IFRS	**239 460 125**	**235 606 340**

Reconciliation of profit (loss) before tax in accordance with the management information to the IFRS results for the six-month period ended 30 June 2010 and 30 June 2009 is set out below:

(In thousands of Russian Roubles)	**six-month period ended 30 June 2010**	**six-month period ended 30 June 2009**
Total for the reporting segments (before tax)	**757 060**	**909 593**
Adjustment of provision for impairment	960 924	(1 031 193)
Adjustments of income/expense accruals	(158 976)	(244 324)
Premises, equipment and intangible assets depreciation and fair value adjustment	(22 022)	15 971
Fair value and amortized cost adjustments	133 795	356 788
Other adjustments	(107 922)	(43 524)
Total in accordance with IFRS (before tax)	**1 562 859**	**(36 689)**

Geographical information. The major part of the Group's activity is concentrated in the North-West region of Russian Federation. Activity is also carried out in the Moscow and Privolzhsky region.

There are no customers (groups of related customers) with income from operations that exceed 10% of total income from operations with the external parties of the Group.

19 Financial Risk Management

The risk management function is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions and also control of their fulfillment. Geographical risk management includes making decisions about opening new branches and outlets and setting limits for operations with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Risk management includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, economic performance of the Group’s clients (principally – depositors and borrowers) and regulatory changes.

The main bodies performing the financial risk management functions are the Supervisory Board, the Management Board, the Asset and Liability Management Committee, and the Big Credit Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board establishes benchmarks which determine risk limits (in particular, the maximum amount of concentration of assets by industry, etc.). The Supervisory Board reviews on a monthly basis the reports submitted by management on implementation of the development plan together with the report on implementation of business indicators of the corporate plan for the current year. Reports on lending operations, which contain information on credit risk, the main financial risk, are also reviewed by the Supervisory Board on a monthly basis. The Audit Committee attached to the Supervisory Board evaluates the effectiveness of and prepares proposals to improve actual internal control procedures and risk management procedures based on the analysis of reports submitted by the Internal Control Department and the Banking Risks Division. Adherence to the risk management policy, approved by the Supervisory Board, is managed by reviewing and approving quarterly risk management reports. Quarterly risk management reports prepared by the Banking Risks Division contain the description of exposure to risks both on the consolidated level and exposure to specific risks as well as suggestions on further development of financial risk management system.

The Management Board is responsible for general management of the financial risk management system. The Management Board makes decisions on the risks that may be accepted by the Group or on arrangements to maintain the Group as a going concern in case of emergency when the decision-making process is beyond the scope of the Asset and Liability Management Committee and the Big Credit Committee.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk). Weekly, the Asset and Liability Management Committee adopts resolutions on management of the balance sheet structure and the related liquidity risks, on determining and changing market risk limits and interest rate risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency. The Asset and Liability Management Committee participates in geographical risk management and supports business development outside Saint Petersburg. It approves decisions on opening new branches and establishes the operating model for regional offices located in Saint Petersburg and in the regional branches.

The Technical Policy Committee reviews management of operational risks, associated with information technologies and the IT infrastructure.

19 Financial Risk Management (continued)

The Department of Banking Risks is responsible for the compliance with the risk management policy, monitoring exposure levels, initiating the development of methods of assessment of current risk levels, management procedures for these risks, compliance by divisions with existing procedures and limits restricting the level of these risks. The Department of Banking Risks coordinates the management of operational and legal risks and manages financial risks.

The Management Board, the Big Credit Committee and Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy annually (a document containing guidelines on principles and procedures of credit risk management in the Bank and determining authority of the Bank’s Big Credit Committee and Small Credit Committees). The Big Credit Committee and Small Credit Committees of the branches and the head office adopt resolutions on separate credit risk-related transactions or determine credit risk limits for certain borrowers (within the scope established by the Management Board in the credit policy). Whenever decisions on certain loans are outside of the scope of Small Credit Committees, the respective authority is delegated to the Big Credit Committee (within its scope) or the Management Board.

Since credit risk is the main financial risk the current management of credit risk is mostly performed by its specialized subdivision, the Credit Division, exercising operational control over credit risk levels.

Credit risk. The Group is exposed to credit risk which is the risk that a borrower will be unable to pay principal debt and interest in full when due under the credit agreement.

The Group considers credit risk to include both assets exposed to credit risk and all financial assets recognized in the consolidated balance sheet except for assets deposited in the CBRF.

The overall approach to credit risk management is defined in the Credit Policy. The Credit Policy reflects the general approach to credit risk management, credit risk management policy, the respective functions of the subdivisions, particular aspects of credit risk management for one borrower or a group of related borrowers, and the industry limits in lending operations.

<u>Risk management tools</u>

To maintain credit risks at an appropriate level the Group uses the following *risk management tools.*

For separate borrowers:

- establishing limits and control over compliance with these limits for separate borrowers and groups of related borrowers
- assessment of the borrowers’ financial positions at the moment of the loan application and during ongoing loan monitoring
- evaluation of the market value of the collateral for a loan and evaluation of financial position of guarantors
- control over availability and integrity of the pledge, both preliminary (before the pledge agreement is concluded) and subsequent control within the agreement term
- control over timely performance of the borrowers’ obligations to the Bank
- defining the credit quality category of the loan, which conforms to the credit risk level.

19 Financial Risk Management (continued)

For the loan portfolio in general:

- development of uniform procedures and methods of issue of loans and subsequent monitoring of the borrowers, as well as timely obtaining of information on the borrowers
- establishment and control over compliance with the limits on large credit exposures of a borrower or group of related borrowers, concentration of credit risk in certain industry sectors, volume of possible losses on the loan portfolio
- control over compliance by subdivisions with resolutions adopted by the Bank’s competent authorities and internal documents (such as credit policy, internal limits, etc).

For Credit Committees:

- establishment and control over compliance with the scope limits of Big Credit Committee and Small Credit Committees specified in the Credit Policy.

Reporting forms

Management controls credit risks and the loan portfolio quality based on the following reporting forms:

Daily reports which form the basis for management decisions and are submitted to the Credit Division Director and the Deputy Chairman of the Management Board, responsible for lending operations:

- changes in the categories of loans in the loan portfolio
- calculation of actual debt per one borrower or a group of related borrowers.

Weekly and monthly reports submitted for the purposes of meetings of the Big Credit Committee, the Asset and Liability Management Committee, the Management Board and the Supervisory Board:

- calculation of covenants (industry risks, credit exposure of large customers, loans granted to related borrowers, calculation of cumulative loans granted to the 20 largest borrowers)
- analysis of the loans issued by branches and outlets
- movement of loans (analysed by the loans issued, rolled-over, overdue or repaid)
- performance of the branches/outlets in terms of the amount of the loans granted, industries concentration, etc.
- performance in terms of credit products issued to individuals and legal entities.

Decision to grant loans

For credit risk management purposes the Bank adopts a collegial decision-making system for granting loans (except for standard loans granted to individuals under target programs). The branches and the head office have Small Credit Committees, which grant loans within the established limits. The limits of authority of the Small Credit Committees in branches, outlets and the Head office are determined on the basis of their credit performance in the previous year, the structure and quality of their loan portfolios and qualifications of the employees by subdivision. The specific limits are determined in the Credit Policy.

19 Financial Risk Management (continued)

Decisions on loans beyond the limits of authority of Small Credit Committees are taken by the Big Credit Committee (preliminary approval of granting the loan with the Small Credit Committee is obligatory). Decisions on loans beyond the limits of authority of the Big Credit Committee, which authority is limited only by the amount of cumulative debt liability of a borrower or a group of borrowers, are taken by the Management Board (preliminary approval of granting the relevant loan with the Small Credit Committee and the Big Credit Committee is obligatory).

The loans to the borrowers related to the Group are granted with prior consent of the Supervisory Board.

Limits for credit risk management purposes

1. Limits for separate borrowers and a group of related borrowers

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions that are the Group’s creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Bank takes into account all information available. When establishing an individual limit, the Group performs analysis of the financial statements, cash flows, available credit history of each borrower in a group of related borrowers, the needs of the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan. The Group has established the following priority of collateral based on evaluation of its liquidity and ability to cover the credit risks:

- deposits with the Bank and promissory notes issued by the Bank
- real estate
- guarantees and sureties of legal entities
- fixed assets
- other assets.

2. Overall loan portfolio limits

- cumulative credit risk exposure to a separate borrower or a group of related borrowers not exceeding 23% of equity (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I))
- amount of loans and advances to borrowers related to the Bank not exceeding 20% of equity (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- cumulative amount of loans, bank guarantees and sureties provided to shareholders (having the right to 5 and more percent of voting stock) - not exceeding 50% of equity estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- ratio of loans overdue more than 60 days and restructured loans less provision for possible loan losses - not exceeding 40% of the Bank’s tier 1 capital estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- amount of overdue loans in the loan portfolio – not exceeding 10%

19 Financial Risk Management (continued)

- ratio of the maximum aggregate risk in the real estate and construction sector to the cumulative loan portfolio less than 23%

- ratio of the maximum risk in any economic sector to the cumulative loan portfolio of 20%.

The Credit Policy is consistent for off-balance sheet financial instruments and on balance sheet financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products supporting the use of off-balance sheet financial instruments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks when conducting transactions on the interbank lending market and performing purchase and sale of financial assets, including term currency operations when the counterparty bears the credit risk in settlements. The respective limits are established for each financial institution on the basis of a credit quality analysis performed by the competent collegial bodies (the Big Credit Committee within its scope and the Management Board). The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

The governing bodies of the Bank continued to use a number of measures aimed at reducing exposure to credit risks arising on granting and servicing of loans to legal entities and individuals as well as at diversification of the loan portfolio by sectors and significant credit exposures, including:

1. Amendments to the Credit Policy aimed at tightening the requirements and limiting authority of the Small Credit Committees of outlets and branches in taking decisions on loan provision are as follows:

- the list of collateral which is subject to compulsory insurance was expanded

- abolition of the Small Credit Committees' authority to:

  - grant loans/guaranties to legal entities without collateral (with the exception of tender participation loans)

  - grant secured loans, which do not belong to the 1st and 2nd categories of quality of collateral, determined in accordance with the guideline of CBRF №254-P dated 26 March 2004 "On the formation of reserves against possible losses on loans, credit and equivalent debt by credit organizations"

- authority to change initial terms of loan and pledge agreements, as well as to release a collateral was restricted.

In addition, certain measures were taken to improve collateral on existing facilities to bring them in line with new decreasing loan to value ratios.

19 Financial Risk Management (continued)

2. Changes in lending programs for individual borrowers are as follows:

Car loans:

- increase of initial deposits up to 30%
- removal of the possibility to include comprehensive and collision car insurance payments in the loan
- tightening of documentation requirements (employment history, earnings certificate only by 2-NDFL, 3-NDFL forms).

Mortgage loans:

- increase of initial deposits up to 25% for apartments and up to 30% for dwelling-houses and land plots
- removal of the possibility to grant a concurrent loan to cover initial contribution
- removal of the possibility to grant a loan for housing improvements
- removal of the possibility to grant a loan to borrowers who pay 50% deposit from their own resources without analysis of their creditworthiness.

Geographical risk. Geographical risk is almost fully defined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities are concentrated in the Russian Federation.

Saint Petersburg is a large megapolis with a diversified economy that does not depend on the economic position of a group of interrelated large enterprises, which is why the historic business concentration on providing services to individuals and legal entities in Saint Petersburg, in the current economic situation, is an advantage for the Group.

Market risks. The Group is exposed to the market risks arising from open positions in interest rate, currency and equity products that are exposed to general and specific market movements. These are defined as:

- currency risk (risk of losses due to exchange rate fluctuations)
- interest rate risk (risk of losses due to fluctuations of market interest rates)
- other price (equity) risk (risk of losses due to movements in quotations of the equity instrument).

The Department of the Banking Risks is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level. The Department of the Banking Risks reports to management on a regular basis. The review of the main risks is communicated to the Asset and Liability Management Committee and the Management Board within the overall Risk Management Report.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest rate risk.

19 Financial Risk Management (continued)

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of limits on transactions, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and monitoring their further compliance.

Despite significant recovery of financial markets after crisis developments at the end of 2008 and the beginning of 2009, the Bank has maintained a conservative policy in the area of management of other price (equity) risk - the Bank maintained its equity portfolio at the minimum level.

In the first half of 2010 there was a gradual revision of risk levels in respect of operations with securities, which included gradual restoration of limits for acquisition of securities of those issuers that were least affected by the crisis and closure of limits for issuers, whose financial stability was questioned.

Currency risk. Currency risk is the risk of changes in income or carrying value of financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee (the Department of the Banking Risks prepares estimates for these limits). The Operational Department (back-office) currently monitors Bank’s compliance with the limits set.

For currency management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions of the Bank in a foreign currency (up to 10% of the equity estimated in compliance with the CBRF) and the limit on the open position in all foreign currencies (up to 20% of the equity estimated in compliance with the CBRF).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros) below the currency exposure limits established by the CBRF.

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

19 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 30 June 2010. The Group does not apply the presented currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	20 713 092	942 148	6 190 995	43 242	27 889 477
Mandatory cash balances with the Central Bank of the Russian Federation	1 553 520	-	-	-	1 553 520
Trading securities	16 553 305	3 779 968	-	-	20 333 273
Trading securities pledged under sale and repurchase agreements	6 946 799	-	-	-	6 946 799
Amounts receivable under reverse repurchase agreements	7 876 873	-	-	-	7 876 873
Loans to banks	1 024 747	16 222	-	-	1 040 969
Loans and advances to customers	112 131 622	28 670 190	16 822 779	-	157 624 591
Investment securities available-for-sale	47 665	33 885	-	-	81 550
Investment securities held-to-maturity	169 539	-	-	-	169 539
Other financial assets	87 654	700	1 387	-	89 741
Prepaid income tax	37 421	-	-	-	37 421
Deferred income tax asset	207 078	-	-	-	207 078
Investment property	2 000 008	-	-	-	2 000 008
Premises and equipment	11 220 744	-	-	-	11 220 744
Intangible assets	635	-	-	-	635
Other assets	459 129	3 232	1 356	-	463 717
Long-term assets held-for-sale	1 924 190	-	-	-	1 924 190
TOTAL ASSETS	**182 954 021**	**33 446 345**	**23 016 517**	**43 242**	**239 460 125**
LIABILITIES					
Due to banks	14 609 374	3 121 718	1 990 975	-	19 722 067
Customer accounts	125 296 080	20 703 651	20 166 034	9 775	166 175 540
Bonds issued	5 050 602	3 212 818	-	-	8 263 420
Other debt securities in issue	8 155 364	776 319	120 896	-	9 052 579
Other borrowed funds	1 465 502	7 147 460	1 401 055	-	10 014 017
Other financial liabilities	114 169	27 297	135 101	-	276 567
Other liabilities	376 504	1 130	961	-	378 595
TOTAL LIABILITIES	**155 067 595**	**34 990 393**	**23 815 022**	**9 775**	**213 882 785**
Add fair value of currency derivatives	60 234	-	-	-	60 234
Net balance sheet position, excluding currency derivatives	**27 946 660**	**(1 544 048)**	**(798 505)**	**33 467**	**25 637 574**
Currency derivatives	**(652 202)**	**3 504 715**	**(2 912 747)**	**-**	**(60 234)**
Net balance sheet position, including currency derivatives	**27 294 458**	**1 960 667**	**(3 711 252)**	**33 467**	**25 577 340**

19 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2009. The Group does not apply the presented currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	13 896 148	3 108 820	4 370 726	43 779	21 419 473
Mandatory cash balances with the Central Bank of the Russian Federation	1 373 815	-	-	-	1 373 815
Trading securities	25 154 197	3 921 645	-	-	29 075 842
Trading securities pledged under sale and repurchase agreements	640 540	-	-	-	640 540
Amounts receivable under reverse repurchase agreements	3 576 299	-	-	-	3 576 299
Loans to banks	2 760 159	3 039 806	67 390	-	5 867 355
Loans and advances to customers	109 756 217	34 799 791	13 644 481	-	158 200 489
Investment securities available-for-sale	47 708	40 537	-	-	88 245
Investment securities held-to-maturity	180 908	-	-	-	180 908
Other financial assets	121 096	9 949	17 969	-	149 014
Deferred income tax asset	305 598	-	-	-	305 598
Investment property	2 000 008	-	-	-	2 000 008
Premises and equipment	10 111 954	-	-	-	10 111 954
Intangible assets	756	-	-	-	756
Other assets	462 026	2 783	9 307	3 943	478 059
Long-term assets held-for-sale	2 137 985	-	-	-	2 137 985
TOTAL ASSETS	**172 525 414**	**44 923 331**	**18 109 873**	**47 722**	**235 606 340**
LIABILITIES					
Due to banks	14 019 477	1 104 369	877 998	-	16 001 844
Customer accounts	125 531 195	21 336 423	29 105 363	17 303	175 990 284
Bonds issued	-	3 113 581	-	-	3 113 581
Other debt securities in issue	4 138 626	860 094	152 054	-	5 150 774
Other borrowed funds	1 465 261	6 149 467	1 591 917	-	9 206 645
Other financial liabilities	258 535	1 524	154 495	-	414 554
Income tax liability	15 543	-	-	-	15 543
Other liabilities	428 402	82	80	-	428 564
TOTAL LIABILITIES	**145 857 039**	**32 565 540**	**31 881 907**	**17 303**	**210 321 789**
Add fair value of currency derivatives	211 628	-	-	-	211 628
Net balance sheet position, excluding currency derivatives	**26 880 003**	**12 357 791**	**(13 772 034)**	**30 419**	**25 496 179**
Currency derivatives	**2 905 436**	**(16 736 088)**	**13 619 024**	**-**	**(211 628)**
Net balance sheet position, including currency derivatives	**29 785 439**	**(4 378 297)**	**(153 010)**	**30 419**	**25 284 551**

19 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of customers.

The Group seeks to maintain a diversified and stable structure of liabilities, which comprise primarily issued debt securities, long-term and short-term deposits of banks, corporate and retail customer deposits. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience would indicate that these customer accounts provide a long-term and stable source of funding.

The Group has established a multi-level liquidity management system. On a daily basis the Treasury Department controls the liquidity position. The Asset and Liability Management Committee makes decisions taking into account a weekly liquidity forecast. In some cases decisions on liquidity may be made by the Management and Supervisory Boards who also control the general liquidity of the Group.

Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in activity, management may demand higher amounts of liquidity, if required.

The basis for managing short-term (less than 3 months) liquidity is the attraction of liquid funds sufficient not only for the Bank's current standard activities, but also during periods of possible unplanned customers' liability outflows triggered by macroeconomic events or events directly associated with the Bank. The Asset and Liability Management Committee and the Management Board periodically review the duration of the customer accounts' outflow period, during which the Bank must ensure continuous operation, and possible rates of decline of customers' liabilities taking into account macroeconomic tsituation, possible significant risks for the Bank and sustainability of the client base.

Management applies the following main instruments for liquidity management:

- in the short term the most effective way to manage liquidity is to manage the volume and structure of liquid assets. Management maintains a portfolio of liquid assets (including trading securities) which can be used for prompt and loss-free repayment of debt

- in certain cases management may impose restrictions on some transactions to regulate the balance sheet structure. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity

- raising long-term funds. During the 6 months of 2010 and during 2009, the Group raised significant amounts on the global long-term debt and equity markets. Refer to notes 12 and 13.

19 Financial Risk Management (continued)

The liquidity management policy includes the following:

- daily forecasts of cash flows by currencies and calculation of the cash-flow related amount of current liquidity reserves
- management of concentration and structure of borrowed funds
- development of liquidity maintenance plans
- diversification of funding sources
- control over compliance of the Group with statutory liquidity requirements
- setting interest rates for raising/granting funds by instruments and periods.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis and that includes daily estimates of the level of liquid assets necessary to settle obligations of the Bank to customers and counterparties in full as they fall due. It is implemented based on statistical and chronological analysis of the balances on customers’ current accounts, forecasted customer deposits in correspondent accounts, movement of funds on accounts and analysis and processing of the information on the Bank’s obligations and requirements under term contracts in short-term periods. This analytical data serves as a basis for management of the liquidity position and replenishment of the payment cycle and its customers with funds from liquid assets.

Short-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may fully cover all needs of the current liquidity management in cash within the planning time horizon as well as ensure possible unplanned customers’ liabilities outflows with cash. The parameters of possible liabilities outflows are set and periodically reviewed by the Asset and Liability Management Committee and the Management Board.

Long-term (over 3 months) liquidity monitoring is based on analysis of liquidity gaps. The Group has developed an analytical form to evaluate the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity. For example, for current accounts of customers the Group uses the statistical data on sustainability, and for securities – possible periods of selling portfolios without losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Management analyses the net liquidity gap and cumulative liquidity gap.

19 Financial Risk Management (continued)

The following tables are based on the above principles and show distribution of assets and liabilities as at 30 June 2010 and 31 December 2009 by actual expected maturity periods. This table is prepared for management purposes on the basis of accounting data prepared under Russian Accounting Principles.

As at 30 June 2010:

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	75 831 858	44 255 847	44 739 492	98 484 126	**263 311 323**
Liabilities and equity	78 859 643	67 805 740	35 053 702	81 592 238	**263 311 323**
Net liquidity gap	(3 027 785)	(23 549 893)	9 685 790	16 891 888	
Cumulative liquidity gap	(3 027 785)	(26 577 678)	(16 891 888)		

As at 31 December 2009:

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets	61 984 811	68 616 410	57 868 198	64 105 896	**252 575 315**
Liabilities and equity	70 704 768	76 801 841	40 796 279	64 272 427	**252 575 315**
Net liquidity gap	(8 719 957)	(8 185 431)	17 071 919	(166 531)	
Cumulative liquidity gap	(8 719 957)	(16 905 388)	166 531		

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios. These ratios are:

- instant liquidity ratio (N2) which is calculated as the ratio of highly-liquid assets to liabilities payable on demand

- current liquidity ratio (N3) which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days

- long-term liquidity ratio (N4) which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

According to management's view based on daily calculations of the Treasury Department, during the six-month period ended 30 June 2010 and during 2009 the Bank complied with the liquidity ratios established by the CBRF.

19 Financial Risk Management (continued)

Below is the liquidity position at 30 June 2010 using the balance sheet prepared in accordance with IFRS. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
ASSETS						
Cash and cash equivalents	27 889 477	-	-	-	-	27 889 477
Mandatory cash balances with the Central Bank of the Russian Federation	1 553 520	-	-	-	-	1 553 520
Trading securities	20 333 273	-	-	-	-	20 333 273
Trading securities pledged under sale and repurchase agreements	6 946 799	-	-	-	-	6 946 799
Amounts receivable under reverse repurchase agreements	7 876 873	-	-	-	-	7 876 873
Loans to banks	69 465	256 038	501 304	214 162	-	1 040 969
Loans and advances to customers	6 494 719	40 326 218	45 194 451	56 654 913	8 954 290	157 624 591
Investment securities available-for-sale	-	-	-	-	81 550	81 550
Investment securities held-to-maturity	33 975	-	-	135 564	-	169 539
Other financial assets	89 741	-	-	-	-	89 741
Prepaid income tax	-	37 421	-	-	-	37 421
Deferred income tax asset	-	-	-	207 078	-	207 078
Investment property	-	-	-	-	2 000 008	2 000 008
Premises and equipment	-	-	-	-	11 220 744	11 220 744
Intangible assets	-	-	-	-	635	635
Other assets	142 328	92 533	27 862	86 259	114 735	463 717
Long-term assets held-for-sale	-	-	1 924 190	-	-	1 924 190
TOTAL ASSETS	**71 430 170**	**40 712 210**	**47 647 807**	**57 297 976**	**22 371 962**	**239 460 125**
LIABILITIES						
Due to banks	19 622 068	-	99 999	-	-	19 722 067
Customer accounts	72 321 498	57 918 503	31 262 027	4 629 049	44 463	166 175 540
Bonds issued	-	-	-	5 050 602	3 212 818	8 263 420
Other debt securities in issue	1 648 765	4 873 541	2 494 829	35 444	-	9 052 579
Other borrowed funds	-	1 718 286	1 010 818	4 790 992	2 493 921	10 014 017
Other financial liabilities	56 375	22 203	27 826	163 727	6 436	276 567
Other liabilities	120 343	251 195	1 771	5 286	-	378 595
TOTAL LIABILITIES	**93 769 049**	**64 783 728**	**34 897 270**	**14 675 100**	**5 757 638**	**213 882 785**
Net liquidity gap	**(22 338 879)**	**(24 071 518)**	**12 750 537**	**42 622 876**	**16 614 324**	**25 577 340**
Cumulative liquidity gap as at 30 June 2010	**(22 338 879)**	**(46 410 397)**	**(33 659 860)**	**8 963 016**	**25 577 340**	

19 Financial Risk Management (continued)

Below is the liquidity position at 31 December 2009 using the balance sheet prepared in accordance with IFRS. The Group does not use the presented analysis by contractual maturity for liquidity management purposes.

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
ASSETS						
Cash and cash equivalents	21 419 473	-	-	-	-	21 419 473
Mandatory cash balances with the Central Bank of the Russian Federation	1 373 815	-	-	-	-	1 373 815
Trading securities	29 075 842	-	-	-	-	29 075 842
Trading securities pledged under sale and repurchase agreements	640 540	-	-	-	-	640 540
Amounts receivable under reverse repurchase agreements	3 576 299	-	-	-	-	3 576 299
Loans to banks	4 618 671	964 225	217 069	67 390	-	5 867 355
Loans and advances to customers	5 528 442	56 608 225	55 802 863	32 486 328	7 774 631	158 200 489
Investment securities available-for-sale	-	-	-	-	88 245	88 245
Investment securities held-to-maturity	33 976	11 335	-	135 597	-	180 908
Other financial assets	145 235	346	-	3 433	-	149 014
Deferred income tax asset	-	-	-	305 598	-	305 598
Investment property	-	-	-	-	2 000 008	2 000 008
Premises and equipment	-	-	-	-	10 111 954	10 111 954
Intangible assets	-	-	-	-	756	756
Other assets	85 888	91 197	78 296	112 562	110 116	478 059
Long-term assets held-for-sale	-	-	2 137 985	-	-	2 137 985
TOTAL ASSETS	**66 498 181**	**57 675 328**	**58 236 213**	**33 110 908**	**20 085 710**	**235 606 340**
LIABILITIES						
Due to banks	9 534 764	1 038 825	5 428 255	-	-	16 001 844
Customer accounts	71 359 160	74 887 879	24 573 505	5 128 521	41 219	175 990 284
Bonds issued	-	-	-	-	3 113 581	3 113 581
Other debt securities in issue	1 475 951	2 845 430	648 095	181 298	-	5 150 774
Other borrowed funds	-	430 488	1 033 612	5 281 389	2 461 156	9 206 645
Other financial liabilities	206 543	1 661	28 622	172 530	5 198	414 554
Income tax liability	-	15 543	-	-	-	15 543
Other liabilities	162 838	263 518	1 655	553	-	428 564
TOTAL LIABILITIES	**82 739 256**	**79 483 344**	**31 713 744**	**10 764 291**	**5 621 154**	**210 321 789**
Net liquidity gap	**(16 241 075)**	**(21 808 016)**	**26 522 469**	**22 346 617**	**14 464 556**	**25 284 551**
Cumulative liquidity gap as at 31 December 2009	**(16 241 075)**	**(38 049 091)**	**(11 526 622)**	**10 819 995**	**25 284 551**	

19 Financial Risk Management (continued)

Management believes that available undrawn credit lines and stability of customer accounts will fully cover the liquidity gap in the tables above.

The main differences between liquidity tables prepared under IFRS by contractual maturity and the above tables prepared for management purposes are as follows:

1. The total assets differ because the impairment provision on loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for IFRS purposes loans and advances to customers is reduced by the provision.
2. For management purposes the Group shows mandatory cash balances with the CBRF as an asset, with maturity dates proportional to maturity dates of resources that formed them since the Group may not use these resources to cover the creditors’ demands.
3. The Bank applies internal methods to determine the maturity of current accounts and deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, the current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for management purposes.
4. The Bank also applies internal methods in order to account for trading securities portfolio taking into account market conditions and actual possibilities to dispose assets or use them as collateral.

20 Management of Capital

The objectives when managing capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the Basel Prudential Requirements for Banks (April 1998 version) (Basel I), compliance with capital requirements and capital adequacy ratio in accordance with financial covenants, stated in the agreements, signed by the Group for the purpose of attracting funds.

(i) Under the current capital requirements established by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital adequacy ratio”) above 10%. Regulatory capital and capital adequacy ratio are based on the reports prepared under Russian statutory accounting standards and comprise:

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Total capital	33 009 260	33 087 796
Total regulatory capital adequacy ratio	15.0%	15.1%

Compliance with the capital adequacy ratio established by the CBRF is monitored monthly with reports containing its calculation reviewed and signed by the Deputy Chairman of the Management Board and Chief Accountant, as well as daily with calculations of the Treasury Department.

Management believes that during six-month period ended 30 June 2010 and during 2009 the capital adequacy ratio was not below the set minimum level.

(ii) Arrangements to safeguard the Group’s ability to continue as a going concern are performed under the Bank’s Strategic Development Plan and divided into long-term and short-term capital management.

20 Management of Capital (continued)

In the long-term the Bank is planning its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and the scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved by the following collegial management bodies in order of the established priority: the Asset and Liability Management Committee, the Management Board, the Supervisory Board.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan of increasing of assets. In some cases the management uses administrative measures to influence the balance sheet structure through interest rate policy, and in exceptional cases through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreements with its creditors the Bank has a commitment to maintain the minimum total capital adequacy ratio of at least 10%, which is calculated under the requirements of Basel I (refer to note 13).

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy ratio are defined in the Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

Below is the capital and capital adequacy ratio calculated in accordance with Basel I:

(In thousands of Russian Roubles)	**30 June 2010**	**31 December 2009**
Capital	**33 530 888**	**33 217 124**
Tier 1	**23 584 217**	**23 286 106**
Paid-in share capital	3 629 541	3 629 541
Reserves and profit	19 954 676	19 656 565
Including:		
- Share premium	15 744 164	15 744 164
- Retained earnings	4 210 512	3 912 401
Tier 2	**9 946 671**	**9 931 018**
Revaluation reserve for premises	1 966 015	1 966 015
Revaluation reserve for investment securities available-for-sale	27 108	32 430
Subordinated loans	7 953 548	7 932 573
Risk weighted assets	**225 043 275**	**218 610 707**
Risk weighted balance sheet assets	178 836 256	177 034 175
Risk weighted trading assets	34 977 115	32 061 413
Risk weighted off-balance-sheet assets	11 229 904	9 515 119
Total capital adequacy ratio	**14.90%**	**15.19%**
Total tier 1 capital	**10.48%**	**10.65%**

20 Management of Capital (continued)

The Group was in compliance with the minimum capital adequacy ratio agreed on with the creditors of the Bank during the six-month period ended 30 June 2010 and during 2009.

Currently the Group reviews target indicators for 2010 in respect of loan portfolio increase. In addition, the Group believes that adequate provision have been made for the principal part of loan portfolio risks and a significant increase in provision is not expected. Taking the above mentioned into consideration, the Group believes that the existing capital will enable it to comply with all the capital adequacy requirements taking into account the expected loan portfolio growth rate and total volume of risk assets. Thus, the Group did not take additional measures to build up capital in the first half of 2010.

21 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with shareholders, management and companies controlled by the Group’s shareholders and management.

As at 30 June 2010, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 10.0% – 23.3% p.a.)	-	75 123	1 077 865
Provision for impairment of loans and advances to customers	-	(2 556)	(33 718)
Customer accounts (contractual interest rates: 3.0% - 15.0% p.a.)	224 162	286 332	1 909 858
Other borrowed funds (contractual interest rates: 14.5% p.a.)	-	-	1 401 055

Other borrowed funds include subordinated debt. Refer to note 13.

The income and expense items with related parties, other than compensation to the members of the Supervisory and the Management Boards of the Bank, for the six-month period ended 30 June 2010 are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Interest income	5	5 334	83 292
Interest expense	(7 512)	(12 165)	(109 801)
Recovery of provision (provision) for impairment of loan portfolio	-	(1 137)	5 060
Fee and commission income	91	207	15 637

21 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2010 are:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Amounts lent to related parties during the period	3 715	30 736	93 975
Amounts repaid by related parties during the period	3 715	25 912	306 861

As at 31 December 2009, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 9.0% – 23.3% p.a.)	-	70 299	1 290 751
Provision for impairment of loans and advances to customers	-	(1 419)	(38 778)
Customer accounts (contractual interest rates: 5.5% - 15.0% p.a.)	51 356	317 938	1 203 310
Other borrowed funds (contractual interest rates: 14.5% p.a.)	-	-	1 591 917

Other borrowed funds include subordinated debt. Refer to note 13.

The income and expense items with related parties, other than compensation to the members of the Supervisory and the Management Boards of the Bank, for the six-month period ended 30 June 2009 are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Interest income	8	7 866	62 611
Interest expense	(137 117)	(11 123)	(38 779)
Recovery of provision (provision) for impairment of loan portfolio	1	(463)	(31 720)
Fee and commission income	988	189	9 097

21 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2009 are:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Amounts lent to related parties during the period	771	10 265	1 215 236
Amounts repaid by related parties during the period	826	53 040	102 508

For the six-month period ended 30 June 2010, total remuneration of members of the Supervisory Board and the Management Board, including pension contributions and discretionary bonuses, amounts to RR 32 040 thousand (6 months ended 30 June 2009: RR 32 386 thousand).

22 Consolidation of Special Purpose Entities

As at 30 June 2010, the Group consolidated the special purpose entity BSPB Finance plc in the condensed consolidated interim financial information. This special purpose entity was established in 2006 to facilitate the Eurobonds issue.

As at 30 June 2010, the Group exercised its control over the activity of this special purpose entity, as all financial and operational activities of this special purpose entity are conducted on behalf of the Group and according to Group’s specific business needs. The Group has rights to obtain the majority of the benefits of the special purpose entity and therefore was exposed to risks incident to its activities.

As at 30 June 2010, the Group consolidated the close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund” in the condensed consolidated interim financial information. These entities are meant for disposal of a long-term asset held-for-sale and for management of an investment property project, respectively.

23 Subsequent Events

In August 2010 the Group attracted a syndicated loan from a group of banks in the amount of USD 55 000 thousand to finance trading contracts of the Group’s clients. The arrangers of the loan are Commerzbank Aktiengesellschaft and VTB Bank (Deutschland) AG. The maturity date of the loan is August 2011; the interest rate is LIBOR + 2.8% p.a.