CREDIT BANK OF MOSCOW

Interim Condensed Consolidated
Financial Statements
for the six-month period
ended 30 June 2010

Contents

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Independent Auditors' Report on Review of the Interim Condensed Consolidated Financial Information

To the Management of Credit Bank of Moscow (open joint-stock company).

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Credit Bank of Moscow (open joint-stock company) (the Bank) and its subsidiaries as at 30 June 2010, and the related interim condensed consolidated 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 interim condensed consolidated financial information). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated 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 interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated 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 Accounting Standard 34 *Interim Financial Reporting*.

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27 August 2010

	Notes	30 June 2010 RUR'000 (Unaudited)	30 June 2009 RUR'000 (Unaudited)
Interest income	4	6,473,065	4,210,233
Interest expense	4	(3,927,310)	(2,468,817)
Net interest income	4	**2,545,755**	**1,741,416**
Provision for impairment of loans	12	(686,379)	(849,677)
Net interest income after provision for impairment		**1,859,376**	**891,739**
Fee and commission income	5	807,616	476,593
Net gain (loss) on financial instruments at fair value through profit or loss		208,005	(16,626)
Net realized gain (loss) on available-for-sale assets		23,841	(12,447)
Foreign exchange gains, net		102,402	146,829
Other operating income		77,148	65,178
Non-interest income		**1,219,012**	**659,527**
Salaries and employment benefits	6	(650,601)	(551,146)
Administrative expenses	6	(574,732)	(408,734)
Reversal of (provision for) impairment of other assets and credit related commitments		8,555	(97,828)
Depreciation	13	(78,987)	(52,486)
Fee and commission expense		(35,027)	(34,317)
State deposit insurance scheme contributions		(69,986)	(32,818)
Other operating expenses		(110,849)	(38,530)
Non-interest expense		**(1,511,627)**	**(1,215,859)**
Income before income taxes		**1,566,761**	**335,407**
Income tax	7	(305,606)	(66,844)
Net income		**1,261,155**	**268,563**
Other comprehensive income			
Revaluation reserve for available-for-sale securities		(70,909)	290,908
Income tax related to other comprehensive income		14,182	(58,182)
Other comprehensive income (loss) for the period, net of tax		**(56,727)**	**232,726**
Comprehensive income for the period		**1,204,428**	**501,289**

Chairman of the Board — Alexander N.Nikolashin

Chief Accountant — Svetlana V.Sass

The interim condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

	Notes	30 June 2010 RUR'000 (Unaudited)	31 December 2009 RUR'000
ASSETS			
Cash and due from the Central Bank of the Russian Federation	8	4,265,657	6,457,166
Due from credit institutions	9	1,369,917	3,531,280
Financial instruments at fair value through profit or loss	10	16,464,154	12,472,290
Available-for-sale securities	11	4,793,820	3,235,045
Loans to customers	12	84,833,761	58,290,515
Property and equipment	13	2,656,533	2,616,418
Other assets	14	619,282	456,286
Total assets		**115,003,124**	**87,059,000**
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation	15	1,001,664	6,129,195
Deposits by credit institutions	16	14,806,335	11,052,903
Deposits by customers	17	63,422,724	45,624,691
Debt securities issued	18	22,630,931	12,385,902
Income tax liability	7	408,189	404,059
Other liabilities	19	485,407	418,804
Total liabilities		**102,755,250**	**76,015,554**
Equity			
Share capital	20	7,138,088	7,138,088
Additional paid-in capital		162,686	162,686
Revaluation surplus for buildings		500,424	500,424
Revaluation reserve for available-for-sale securities		269,067	325,794
Retained earnings		4,177,609	2,916,454
Total equity		**12,247,874**	**11,043,446**
Total liabilities and equity		**115,003,124**	**87,059,000**

Commitments and Contingencies	21-22		

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

	30 June 2010 RUR'000 (Unaudited)	30 June 2009 RUR'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,261,155	268,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for impairment of loans	686,379	849,677
Depreciation	78,987	52,486
Deferred tax (benefit) expense	164,632	(93,287)
Revaluation of financial instruments at fair value through profit or loss	(60,946)	(6,130)
(Reversal of) provision for impairment of other assets and credit related commitments	(8,555)	97,828
Accrued interest income	112,857	(434,989)
Accrued interest expense	481,070	608,814
Other	327,240	55,798
Operating cash flow before changes in operating assets and liabilities	**3,042,819**	**1,398,760**
(Increase) decrease in operating assets		
Obligatory reserve deposits with the Central Bank of the Russian Federation	(183,369)	(72,324)
Due from credit institutions	714,453	(378,267)
Financial instruments at fair value through profit or loss	(3,968,764)	(2,693,626)
Loans to customers	(27,105,868)	(4,254,591)
Other assets	(155,390)	23,718
Increase (decrease) in operating liabilities		
Deposits by credit institutions and the Central Bank of the Russian Federation	(1,315,722)	(8,311,974)
Deposits by customers	17,113,690	4,799,964
Debt securities issued	9,929,789	2,474,473
Other liabilities	(161,611)	(24,931)
Net cash (used in) from operations	**(2,089,973)**	**(7,038,798)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of available-for-sale securities	(1,622,343)	797,279
Net purchase of property and equipment and intangible assets	(42,950)	(37,233)
Net cash from (used in) investing activities	**(1,665,293)**	**760,046**

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

	Note	30 June 2010 RUR'000 (Unaudited)	30 June 2009 RUR'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock		-	3,000,000
Net cash from financing activities		**-**	**3,000,000**
Effect of exchange rates changes on cash and cash equivalents		(114,286)	(207,982)
Change in cash and cash equivalents		**(3,869,552)**	**(3,486,734)**
Cash and cash equivalents, beginning of the period		8,629,775	10,355,387
Cash and cash equivalents, end of the period	25	**4,760,223**	**6,868,653**

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

	Common stock RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for buildings RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total shareholders' equity RUR'000
31 December 2008	**4,138,088**	**162,686**	**-**	**(49,771)**	**2,136,492**	**6,387,495**
Shares issued	3,000,000	-	-	-	-	3,000,000
Total comprehensive income for the period (unaudited)	-	-	-	232,726	268,563	501,289
30 June 2009 (unaudited)	**7,138,088**	**162,686**	**-**	**182,955**	**2,405,055**	**9,888,784**
31 December 2009	**7,138,088**	**162,686**	**500,424**	**325,794**	**2,916,454**	**11,043,446**
Total comprehensive income for the period (unaudited)	-	-	-	(56,727)	1,261,155	1,204,428
30 June 2010 (unaudited)	**7,138,088**	**162,686**	**500,424**	**269,067**	**4,177,609**	**12,247,874**

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

1 Background

Principal activities

These interim condensed consolidated financial statements include the financial statements of CREDIT BANK OF MOSCOW (the Bank) and its subsidiaries (together referred to as the Group).

CREDIT BANK OF MOSCOW was formed on 5 August 1992 as an open joint stock company, then re-registered as a closed joint stock company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint stock company. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation, granted on 20 January 2000. In December 2004 the Bank was admitted to the Central Bank of Russia program for individual deposit insurance.

The Bank is among the 35 largest banks in Russia by assets and runs its business in Moscow and Moscow region through a branch network comprising 47 branches and 12 cash offices, and with ATMs and payment terminals totaling 344 and 1,167 items, respectively.

The principal subsidiaries of the Group are as follows:

				Degree of control, %	
Name	**Date of incorporation**	**Country of incorporation**	**Principal Activities**	**30 June 2010**	**31 December 2009**
CBOM Finance p.l.c.	17 Aug 2006	Ireland	Raising finance	100%	100%
MKB-Invest	4 June 2007	Russia	Operations with securities	100%	100%
MKB-Leasing	20 Sep 2005	Russia	Financial lease	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries noted above. However CBOM Finance p.l.c. was established under terms that impose strict limits on the decision-making powers of its management. MKB-Invest, MKB-Leasing are controlled by the Group through option agreements.

Shareholders

The Group is wholly-owned by Concern Rossium (the Shareholder Group). The sole shareholder of Concern Rossium is Roman I. Avdeev, who is also the President and member of the Supervisory Board of the Bank. The members of the Supervisory Board are as follows:

Supervisory Board

Sandy Vaci	Chairman/Non-Executive Director
Richard Damien Glasspool	Member/Non-Executive Director
Gennady Levinsky	Member/Non-Executive Director
Alexander N. Nikolashin	Member
Irina N. Nartova	Member

Related party transactions are detailed in note 24.

Russian business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the 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.

2 Basis of preparation

Statement of compliance

The interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009, as these interim condensed consolidated financial statements provide an update of previously reported financial information.

Basis of measurement

The interim condensed consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value, and, beginning in 2009, buildings are stated at revalued amounts.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (RUR). Management determined the functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Bank. The RUR is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

Financial information presented in RUR is rounded to the nearest thousand.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these interim condensed consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - note 12
- building revaluation estimates - note 13.

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the interim condensed consolidated financial statements. The accounting policies are consistently applied. Changes in accounting policies described at the end of this note.

Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Special purpose entities

The Bank established a number of special purpose entities (SPE's) for trading and investment purposes. The Bank does not have any direct or indirect shareholdings in these entities. However, the SPE's are established under terms that impose strict limits on the decision-making powers of the SPE's management over the operations of the SPE. In addition, the benefits related to their operations and net assets are presently attributable to the Bank via a number of agreements.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group considers cash and nostro accounts with the Central Bank of the Russian Federation, due from credit institutions with maturity of less than one month to be cash and cash equivalents. The minimum reserve deposit with the Central Bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of initial recognition.

Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method

- held-to-maturity investments which are measured at amortized cost using the effective interest method and,

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the interim condensed consolidated statement of comprehensive income. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the interim condensed consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in the interim condensed consolidated statement of comprehensive income over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in the interim condensed consolidated statement of comprehensive income over the term of the repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the interim condensed consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses and, beginning in 2009, buildings are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the interim condensed consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	50
Furniture and other property	6
Computers and office equipment	4
Vehicles	5

When a building is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the interim condensed consolidated statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in the interim condensed consolidated statement of comprehensive income and can not be reversed.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the interim condensed consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income and expense recognition

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the interim condensed consolidated statement of comprehensive income using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Dividend income is recognised in the interim condensed consolidated statement of comprehensive income on the date that the dividend is declared.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group), and whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment.

Changes in accounting policies

Various Improvements to IFRSs are dealt with on a standard-by-standard basis.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2010, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective from 1 January 2013, earlier adoption is permitted). IFRS 9 was issued will replace those parts of IAS 39) relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into one of the two measurement categories: those to be measured subsequently at fair value, or those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses in other comprehensive income rather than in profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Various Improvements to IFRSs which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 July 2010.

4 Net interest income

	30 June 2010 RUR’000 (unaudited)	30 June 2009 RUR’000 (unaudited)
Interest income		
Loans to customers	5,293,385	3,629,564
Debt securities	1,166,064	515,035
Due from credit institutions and the Central Bank of the Russian Federation	13,616	65,634
	6,473,065	**4,210,233**
Interest expense		
Deposits by customers	(2,601,919)	(1,048,699)
Deposits by credit institutions and the Central Bank of the Russian Federation	(359,052)	(871,328)
Debt securities issued	(966,339)	(548,790)
	(3,927,310)	**(2,468,817)**
Net interest income	**2,545,755**	**1,741,416**

5 Fee and commission income

	30 June 2010 RUR’000 (unaudited)	30 June 2009 RUR’000 (unaudited)
Guarantees and letters of credit	273,181	63,591
Cash collection delivery	244,708	205,088
Settlements and wire transfers	188,317	129,606
Plastic cards	35,991	26,646
Other cash operations	31,544	30,006
Other	33,875	21,656
Fee and commission income	**807,616**	**476,593**

6 Salaries, employment benefits and administrative expenses

	30 June 2010 RUR’000 (unaudited)	30 June 2009 RUR’000 (unaudited)
Salaries	525,093	441,339
Social security costs	120,244	101,815
Other	5,264	7,992
Salaries and employment benefits	**650,601**	**551,146**

	30 June 2010 RUR'000 (unaudited)	**30 June 2009 RUR'000 (unaudited)**
Occupancy	144,463	107,528
Operating taxes	173,992	62,746
Advertising and business development	76,475	95,601
Security	63,364	63,075
Communications	25,480	26,043
Transport	16,009	12,621
Other	74,949	41,120
Administrative expenses	**574,732**	**408,734**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the interim condensed consolidated statement of comprehensive income in the period the related compensation is earned by the employee. The Group does not have any stock option plans.

7 Income tax

	30 June 2010 RUR'000 (unaudited)	**30 June 2009 RUR'000 (unaudited)**
Current tax charge	140,974	160,131
Deferred taxation	164,632	(93,287)
Income tax expense	**305,606**	**66,844**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The income tax rate for the Bank is 20% (2009: 20%).

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	30 June 2010 RUR'000 (unaudited)	30 June 2009 RUR'000 (unaudited)
Income before tax	1,566,761	335,407
Applicable statutory tax rate	20%	20%
Income tax using the applicable tax rate	313,352	67,081
Income taxed at lower rate	(14,008)	(2,504)
Net non-deductible costs	6,262	2,267
Income tax expense	**305,606**	**66,844**

Income tax liabilities are recorded in the statement of financial position as follows:

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Current tax liability	7,477	153,797
Deferred tax liability	400,712	250,262
Income tax liability	**408,189**	**404,059**

8 Cash and due from the Central Bank of the Russian Federation

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Cash on hand	2,120,576	2,482,467
Correspondent account with the Central Bank of the Russian Federation	1,560,706	3,573,693
Obligatory reserve deposits with the Central Bank of the Russian Federation	584,375	401,006
Cash and due from the Central Bank of the Russian Federation	**4,265,657**	**6,457,166**

The obligatory reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by the Central Bank of the Russian Federation, the withdrawal of which is restricted. The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and is available for withdrawal at period end.

Information about the currency and maturity of cash and due from the Central Bank of the Russian Federation is presented in note 28.

9 Due from credit institutions

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Current accounts		
rated from AA+ to AA-	44,953	330,158
rated from A+ to A-	58,078	274,390
rated BBB	189,170	1,009,893
rated from B+ to B-	125,324	26,860
not rated	100,602	598,564
Total current accounts	**518,127**	**2,239,865**
Term deposits		
rated from AA+ to AA-	18	323,630
rated from A+ to A-	434,506	957,665
rated from B+ to B-	100,912	-
not rated	316,354	10,120
Total term deposits	**851,790**	**1,291,415**
Due from credit institutions	**1,369,917**	**3,531,280**

Ratings are based on Standard & Poor's rating system.

Settlements with the stock exchange are included in not rated current accounts in the amount of RUR 90,307 thousand as at 30 June 2010 (31 December 2009: 480,751 RUR thousand).

Information about the currency and maturity and effective interest rates on amounts due from credit institutions is presented in note 28.

Concentrations of the due from credit institutions

As at 30 June 2010 the Group has three counterparties (31 December 2009: three) whose deposit balances exceed 10% of total due from credit institutions. The gross value of these facilities as at 30 June 2010 is RUR 619,653 thousand (31 December 2009: 2,295,997).

10 Financial instruments at fair value through profit or loss

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Held by the Bank		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	739,894	931,583
Moscow Government bonds	384,270	408,359
Regional authorities and municipal bonds	464,806	-
Corporate bonds		
from BBB+ to BBB-	159,454	603,456
from BB+ to BB-	1,981,490	481,832
from B+ to B-	3,935,037	2,663,910
not rated	2,116,389	1,449,045
Total financial instruments at fair value through profit or loss held by the bank	**9,781,340**	**6,538,185**
Pledged as collateral for interbank and other loans		
Government and municipal bonds		
Regional authorities and municipal bonds	-	652,608
Corporate bonds		
from BBB+ to BBB-	-	104,267
from BB+ to BB-	-	103,089
from B+ to B-	-	1,383,011
Total financial instruments at fair value through profit or loss pledged as collateral for interbank and other loans	**-**	**2,242,975**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	3,173,223	844,667
Moscow Government bonds	1,028,002	297,055
Regional authorities and municipal bonds	203,984	-
Corporate bonds		
from BBB+ to BBB-	1,482,008	647,642
from BB+ to BB-	103,510	1,150,835
from B+ to B-	164,357	402,165
not rated	527,730	348,766
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**6,682,814**	**3,691,130**
Total financial instruments at fair value through profit or loss	**16,464,154**	**12,472,290**

As at 30 June 2010 debt instruments in the amount of RUR 15,582,037 thousand are included in the list of securities that can be pledged to attract funds from the Central Bank of the Russian Federation (31 December 2009: 10,197,400).

11 Available-for-sale securities

	30 June 2010 RUR'000 (unaudited)	**31 December 2009 RUR'000**
Held by the Bank		
Government and municipal bonds		
Russian Government Eurobonds	1,571,589	7,497
Moscow Government bonds	30,041	29,819
Regional authorities and municipal bonds	330,445	213,005
Corporate bonds		
from BBB+ to BBB-	-	69,631
from BB+ to BB-	162,780	-
from B+ to B-	2,118,571	666,565
not rated	370,664	32,651
Promissory notes	11,562	-
Equity investments	70,850	70,025
Total available-for-sale securities held by the Bank	**4,666,502**	**1,089,193**
Pledged as collateral for interbank and other loans		
Government and municipal bonds		
Russian Government Eurobonds	-	1,594,223
Regional authorities and municipal bonds	-	230,605
Corporate bonds		
from BB+ to BB-	-	157,185
Promissory notes	-	66,580
Total available-for-sale securities pledged as collateral for interbank and other loans	**-**	**2,048,593**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	49,840	47,794
Regional authorities and municipal bonds	25,698	-
Corporate bonds		
from BBB+ to BBB-	51,780	49,465
Total available-for-sale securities pledged under sale and repurchase agreements	**127,318**	**97,259**
Total available-for-sale securities	**4,793,820**	**3,235,045**

As at 30 June 2010 debt instruments in the amount of RUR 3,358,449 thousand are included in the list of securities that can be pledged to attract funds from the Central Bank of the Russian Federation (31 December 2009: 2,996,160).

12 Loans to customers

	30 June 2010 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000	31 December 2009 RUR'000
	Loans	**Impairment allowance**	**Loans**	**Impairment allowance**
Loans to corporate clients	**72,507,153**	**(1,422,450)**	**50,088,406**	**(1,003,134)**
Loans to individuals				
Auto loans	3,874,758	(93,114)	1,947,239	(139,619)
Mortgage loans	7,479,304	(490,145)	5,582,649	(362,826)
Other loans to individuals	3,204,435	(226,180)	2,496,422	(318,622)
Total loans to individuals	**14,558,497**	**(809,439)**	**10,026,310**	**(821,067)**
Gross loans to customers	**87,065,650**	**(2,231,889)**	**60,114,716**	**(1,824,201)**
Net loans to customers	**84,833,761**		**58,290,515**	

Credit quality of loans

The following table provides information on credit quality of the loans as at 30 June 2010:

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to customers				
- Not past due	84,727,273	(1,140,014)	83,587,259	1.3%
- Overdue less than 31 days	409,288	(55,460)	353,828	13.6%
- Overdue 31-60 days	65,011	(15,089)	49,922	23.2%
- Overdue 61-90 days	85,305	(13,782)	71,523	16.2%
- Overdue 91-180 days	204,047	(64,054)	139,993	31.4%
- Overdue 181-360 days	571,152	(290,664)	280,488	50.9%
- Overdue more than 360 days	1,003,574	(652,826)	350,748	65.1%
Total loans to customers	**87,065,650**	**(2,231,889)**	**84,833,761**	**2.6%**

The following table provides information on credit quality of the loans as at 31 December 2009:

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
Loans to customers				
- Not past due	57,826,397	(793,085)	57,033,312	1.4%
- Overdue less than 31 days	245,683	(22,810)	222,873	9.3%
- Overdue 31-60 days	126,988	(24,200)	102,788	19.1%
- Overdue 61-90 days	122,023	(56,089)	65,934	46.0%
- Overdue 91-180 days	395,372	(114,527)	280,845	29.0%
- Overdue 181-360 days	622,488	(379,955)	242,533	61.0%
- Overdue more than 360 days	775,765	(433,535)	342,230	55.9%
Total loans to customers	**60,114,716**	**(1,824,201)**	**58,290,515**	**3.0%**

As at 30 June 2010, the loan portfolio includes loans that have been renegotiated and would otherwise be past due or impaired in the amount of RUR 281,580 thousand (31 December 2009: RUR 649,265 thousand). Such restructuring activity is aimed at managing customer relationships and maximizing the quality of the loan portfolio. Renegotiated loans are included in loans not past due unless the borrower is unable to comply with the renegotiated terms.

As at 30 June 2010, the gross amount of overdue loans with payments that are overdue at least one day totals RUR 2,338,377 thousand, which represents 2.7% of the loan portfolio (31 December 2009: RUR 2,288,319 thousand and 3.8%, respectively). Nonperforming loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUR 1,778,773 thousand or 2.0% of the loan portfolio (31 December 2009: RUR 1,793,625 thousand and 3.0%, respectively).

As at 30 June 2010, the ratio of the total impairment allowance to overdue loans equals 95.4%, and the ratio of total impairment allowance to NPLs equals 125.5% (31 December 2009: 79.7% and 101.7%, respectively).

Movements in the loan impairment allowance for the six months ended 30 June 2010 and 2009 are as follows:

	30 June 2010 RUR'000 (unaudited)	30 June 2009 RUR'000 (unaudited)
Balance at the beginning of the period	1,824,201	506,140
Net charge	686,379	849,677
Net write-offs	(278,691)	(29,487)
Balance at the end of the period	**2,231,889**	**1,326,330**

As at 30 June 2010, interest accrued on overdue loans amounts to RUR 262,360 thousand (31 December 2009: RUR 214,939 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of the loans to corporate clients as at 30 June 2010:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUR'000	**RUR'000**	**RUR'000**	**%**
Loans to corporate clients				
- Not past due	71,787,712	(1,103,004)	70,684,708	1.5%
- Overdue less than 31 days	214,541	(36,445)	178,096	17.0%
- Overdue 31-60 days	13,534	(3,495)	10,039	25.8%
- Overdue 61-90 days	15,530	(5,185)	10,345	33.4%
- Overdue 91-180 days	58,586	(23,215)	35,371	39.6%
- Overdue 181-360 days	269,926	(136,928)	132,998	50.7%
- Overdue more than 360 days	147,324	(114,178)	33,146	77.5%
Total loans to corporate clients	**72,507,153**	**(1,422,450)**	**71,084,703**	**2.0%**

The following table provides information on credit quality of the loans to corporate clients as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUR'000	**RUR'000**	**RUR'000**	**%**
Loans to corporate clients				
- Not past due	49,406,492	(750,960)	48,655,532	1.5%
- Overdue less than 31 days	89,523	(3,066)	86,457	3.4%
- Overdue 31-60 days	21,669	(5,045)	16,624	23.3%
- Overdue 61-90 days	80,363	(40,449)	39,914	50.3%
- Overdue 91-180 days	189,536	(42,653)	146,883	22.5%
- Overdue 181-360 days	190,107	(117,055)	73,052	61.6%
- Overdue more than 360 days	110,716	(43,906)	66,810	39.7%
Total loans to corporate clients	**50,088,406**	**(1,003,134)**	**49,085,272**	**2.0%**

The Bank estimates loan impairment for loans to corporate clients based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

Changes in these estimates could effect the the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as of 30 June 2010 would be RUR 710,847 thousand (31 December 2009: RUR 490,853 thousand) lower/higher.

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transactions: real estate (manufacturing premises, warehouses), machinery and equipment, motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes. As the Group creates loan impairment allowances without considering the fair value of collateral and writes off loans that are no longer recoverable, it is impracticable to estimate the fair value of collateral held in respect of remaining impaired or overdue loans. As of 30 June 2010 the Bank estimates the fair value of leased equipment undergoing repossession to be RUR 34,756 thousand (31 December 2009: RUR 48,821 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the six-month period ended 30 June 2010 are as follows:

	Total RUR'000
Balance at the beginning of the period	1,003,134
Net charge	494,766
Net write-offs	(75,450)
Balance at the end of the period	**1,422,450**

Movements in the loan impairment allowance for loans to corporate clients for the six-month period ended 30 June 2009 are as follows:

	RUR'000
Balance at the beginning of the period	241,563
Net charge	574,521
Net write-offs	(1,888)
Balance at the end of the period	**814,196**

Credit quality of loans to individuals

The following table provides information on credit quality of loans to individuals as at 30 June 2010:

	Gross loans RUR'000	**Impairment allowance RUR'000**	**Net loans RUR'000**	**Impairment to gross loans %**
Auto loans				
- Not past due	3,732,810	(6,914)	3,725,896	0.2%
- Overdue less than 31 days	26,233	(3,445)	22,788	13.1%
- Overdue 31-60 days	13,019	(3,639)	9,380	28.0%
- Overdue 61-90 days	5,131	(2,206)	2,925	43.0%
- Overdue 91-180 days	16,561	(9,234)	7,327	55.8%
- Overdue 181-360 days	38,868	(28,524)	10,344	73.4%
- Overdue more than 360 days	42,136	(39,152)	2,984	92.9%
Total auto loans	**3,874,758**	**(93,114)**	**3,781,644**	**2.4%**
Mortgage loans				
- Not past due	6,316,974	(9,212)	6,307,762	0.1%
- Overdue less than 31 days	90,440	(86)	90,354	0.1%
- Overdue 31-60 days	22,100	(430)	21,670	1.9%
- Overdue 61-90 days	53,866	-	53,866	0.0%
- Overdue 91-180 days	91,663	(5,424)	86,239	5.9%
- Overdue 181-360 days	156,426	(38,391)	118,035	24.5%
- Overdue more than 360 days	747,835	(436,602)	311,233	58.4%
Total mortgage loans	**7,479,304**	**(490,145)**	**6,989,159**	**6.6%**

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Other loans to individuals				
- Not past due	2,889,777	(20,884)	2,868,893	0.7%
- Overdue less than 31 days	78,074	(15,484)	62,590	19.8%
- Overdue 31-60 days	16,358	(7,525)	8,833	46.0%
- Overdue 61-90 days	10,778	(6,391)	4,387	59.3%
- Overdue 91-180 days	37,237	(26,181)	11,056	70.3%
- Overdue 181-360 days	105,932	(86,821)	19,111	82.0%
- Overdue more than 360 days	66,279	(62,894)	3,385	94.9%
Total other loans to individuals	**3,204,435**	**(226,180)**	**2,978,255**	**7.1%**
Total loans to individuals	**14,558,497**	**(809,439)**	**13,749,058**	**5.6%**

The follow table provides information on credit quality of loans to individual portfolios as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
	RUR'000	RUR'000	RUR'000	%
Auto loans				
- Not past due	1,742,956	(6,964)	1,735,992	0.4%
- Overdue less than 31 days	19,156	(3,757)	15,399	19.6%
- Overdue 31-60 days	17,382	(6,359)	11,023	36.6%
- Overdue 61-90 days	10,943	(5,516)	5,427	50.4%
- Overdue 91-180 days	27,618	(16,407)	11,211	59.4%
- Overdue 181-360 days	101,737	(75,566)	26,171	74.3%
- Overdue more than 360 days	27,447	(25,050)	2,397	91.3%
Total auto loans	**1,947,239**	**(139,619)**	**1,807,620**	**7.2%**
Mortgage loans				
- Not past due	4,563,263	(5,331)	4,557,932	0.1%
- Overdue less than 31 days	83,427	(80)	83,347	0.1%
- Overdue 31-60 days	68,156	(1,704)	66,452	2.5%
- Overdue 61-90 days	16,070	(402)	15,668	2.5%
- Overdue 91-180 days	109,926	(3,984)	105,942	3.6%
- Overdue 181-360 days	172,181	(54,635)	117,546	31.7%
- Overdue more than 360 days	569,626	(296,690)	272,936	52.1%
Total mortgage loans	**5,582,649**	**(362,826)**	**5,219,823**	**6.5%**
Other loans to individuals				
- Not past due	2,113,686	(29,830)	2,083,856	1.4%
- Overdue less than 31 days	53,577	(15,907)	37,670	29.7%
- Overdue 31-60 days	19,781	(11,092)	8,689	56.1%
- Overdue 61-90 days	14,647	(9,722)	4,925	66.4%

	Gross loans RUR'000	Impairment allowance RUR'000	Net loans RUR'000	Impairment to gross loans %
- Overdue 91-180 days	68,292	(51,483)	16,809	75.4%
- Overdue 181-360 days	158,463	(132,699)	25,764	83.7%
- Overdue more than 360 days	67,976	(67,889)	87	99.9%
Total other loans to individuals	**2,496,422**	**(318,622)**	**2,177,800**	**12.8%**
Total loans to individuals	**10,026,310**	**(821,067)**	**9,205,243**	**8.2%**

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. Management estimates losses based on the historic loss migration pattern for the past twelve months and the fair value of collateral.

Changes in these estimates could effect the the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance as of 30 June 2010 would be RUR 137,491 thousand (31 December 2009: RUR 92,052 thousand) lower/higher.

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying car. Credit card overdrafts and consumer loans are not secured. As of 30 June 2010, the Bank estimates the fair value of private real estate undergoing foreclosure to be RUR 448,416 thousand (31 December 2009: RUR 316,931 thousand).

Management believes that it is impracticable to estimate the fair value of collateral held in respect of auto loans.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the six-month period ended 30 June 2010 are as follows:

	Auto loans RUR'000	Mortgage loans RUR'000	Other loans to individuals RUR'000	Total RUR'000
Balance at the beginning of the period	139,619	362,826	318,622	821,067
Net charge	13,058	130,867	47,688	191,613
Net write-offs	(59,563)	(3,548)	(140,130)	(203,241)
Balance at the end of the period	**93,114**	**490,145**	**226,180**	**809,439**

Movements in the loan impairment allowance by classes of retail loans for the six-month period ended 30 June 2009 are as follows:

	Auto loans RUR'000	Mortgage loans RUR'000	Other loans to individuals RUR'000	Total RUR'000
Balance at the beginning of the period	61,448	60,719	142,410	264,577
Net charge	16,002	130,610	128,544	275,156
Net write-offs	-	(20,292)	(7,307)	(27,599)
Balance at the end of the period	**77,450**	**171,037**	**263,647**	**512,134**

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Loans to individuals	14,558,497	10,026,310
Consumer electronics and computers	10,998,728	9,377,791
Construction materials	10,046,305	4,504,322
Finance, lease	8,902,049	2,256,264
Foods	8,215,052	6,794,778
Metallurgic industry	4,327,031	1,686,564
Light industry	4,014,823	3,105,261
Services	3,919,640	2,543,718
Machinery	3,661,888	3,244,323
Hygiene products and consumer chemicals	3,647,708	2,955,621
Automotive, motocycles and spare parts	3,407,778	2,501,398
Paper and stationery	2,922,945	2,833,682
Telecommunications	1,901,372	1,461,288
Other consumer goods	1,761,531	1,396,246
Medical	1,414,461	616,941
Utilities	894,003	2,013,045
Sports goods	714,436	880,564
Furniture	568,176	675,726
Oil	33,357	5,578
Other corporates	1,155,870	1,235,296
	87,065,650	**60,114,716**
Impairment allowance	(2,231,889)	(1,824,201)
	84,833,761	**58,290,515**

Finance lease

Finance lease receivables included in loans to customers are as follows:

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Gross investment in finance lease	1,411,223	1,276,316
Unearned interest income	(320,128)	(273,322)
Net investment in finance lease before allowance	**1,091,095**	**1,002,994**
Impairment allowance	(137,549)	(48,115)
Net investment in finance lease	**953,546**	**954,879**

The contractual maturity of the net investment in leases is as follows:

	30 June 2010 RUR'000 (unaudited)	**31 December 2009 RUR'000**
Less than 1 year	556,428	542,280
Between 1 and 5 years	397,118	411,445
More than 5 years	-	1,154
	953,546	**954,879**

Loan maturities

The maturity of the loan portfolio is presented in note 28.

13 Property and equipment

The movements in property and equipment for the six-month period ended 30 June 2010 are as follows:

RUR'000	**Buildings**	**Vehicles**	**Computers and office equipment**	**Furniture and other property**	**Construction in progress**	**Total**
Cost/revalued amount						
At 1 January 2010	2,215,029	101,912	64,511	526,051	21,311	2,928,814
Additions	421	11,173	4,385	102,705	15,062	133,746
Disposals	-	(14,324)	(306)	(18,498)	-	(33,128)
At 30 June 2010	**2,215,450**	**98,761**	**68,590**	**610 258**	**36,373**	**3,029,432**
Accumulated depreciation						
At 1 January 2010	42,026	43,195	39,848	187,327	-	312,396
Depreciation charge	22,463	10,184	5,416	40,924	-	78,987
Disposals	-	(8,800)	(306)	(9,378)	-	(18,484)
At 30 June 2010	**64,489**	**44,579**	**44,958**	**218,873**	**-**	**372,899**
Carrying value						
At 30 June 2010	**2,150,961**	**54,182**	**23,632**	**391,385**	**36,373**	**2,656,533**

The movements in property and equipment for the year ended 30 June 2009 are as follows:

RUR'000	**Buildings**	**Vehicles**	**Computers and office equipment**	**Furniture and other property**	**Construction in progress**	**Total**
Cost						
At 1 January 2009	1,587,664	86,285	55,377	354,191	42,941	**2,126,458**
Additions	2,039	22,130	5,676	36,565	-	**66,410**
Disposals	(1,486)	(6,100)	(1,079)	(19,046)	(16,868)	**(44,579)**
At 30 June 2009	**1,588,217**	**102,315**	**59,974**	**371,710**	**26,073**	**2,148,289**
Accumulated depreciation						
At 1 January 2009	20,392	33,445	28,441	157,572	-	**239,850**
Depreciation charge	15,754	8,715	4,489	23,528	-	**52,486**
Disposals	(183)	(5,873)	(1,079)	(16,151)	-	**(23,286)**
At 30 June 2009	**35,963**	**36,287**	**31,851**	**164,949**	**-**	**269,050**
Carrying value						
At 30 June 2009	**1,552,254**	**66,028**	**28,123**	**206,761**	**26,073**	**1,879,239**

Revalued assets

At 31 December 2009 buildings were revalued based on the results of an independent appraisal performed by OOO "MEF-Audit". The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar buildings.

The carrying value of buildings as of 30 June 2010, if the buildings would not have been revalued, would be RUR 1,525,430 thousand (31 December 2009: RUR 1,547,472 thousand).

14 Other assets

	30 June 2010 RUR'000 (unaudited)	**31 December 2009 RUR'000**
Receivables	326,082	213,427
Prepaid expenses	86,481	28,265
Current tax receivables	77,271	24,556
Property held for sale	23,560	98,359
Intangibles	7,471	11,281
Other	98,417	80,398
Other assets	**619,282**	**456,286**

15 Deposits by the Central Bank of the Russian Federation

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Term deposits	1,001,664	1,605,794
Payables under repurchase agreements or collateral loans	-	4,523,401
Deposits by the Central Bank of the Russian Federation	**1,001,664**	**6,129,195**

Information about the currency and maturity and effective interest rates on deposits by the Central Bank of Russian Federation is presented in note 28.

16 Deposits by credit institutions

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Demand deposits	70,346	36,473
Term deposits	6,893,239	5,291,736
Syndicated loan	935,862	1,825,518
Subordinated debt	623,908	604,884
Payables under repurchase agreements	6,282,980	3,294,292
Deposits by credit institutions	**14,806,335**	**11,052,903**

The syndicated loan is denominated in USD with effective interest rate of 3.6% (31 December 2009: two loans with effective interest rate from 3.2% to 4.1%) and maturity in 2011 (31 December 2009: from 2010 to 2011).

The subordinated debt is denominated in USD are granted by the European Bank for Reconstruction and Development with effective interest rate of 6.0% (31 December 2009: 6.4%) and maturity in 2015.

Information about the currency and maturity and effective interest rates on deposits by credit institutions is presented in note 28.

Concentrations of deposits by credit institutions

As at 30 June 2010 the Group has one counterparty (31 December 2009: two) whose deposit balances exceeded 10% of the due to credit institutions. The gross value of these facilities as at 30 June 2010 is RUR 2,186,046 thousand (31 December 2009: RUR 4,032,910 thousand).

17 Deposits by customers

		30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Corporate customers	Demand	11,123,141	5,564,236
	Term	11,978,144	8,309,781
	Subordinated	3,011,121	-
Total corporate customers		**26,112,406**	**13,874,017**

		30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Individuals	Demand	2,101,410	1,484,515
	Term	35,208,908	30,266,159
Total individuals		**37,310,318**	**31,750,674**
Total deposits by customers		**63,422,724**	**45,624,691**

The subordinated deposit represents a loan denominated in RUR granted by the Wellcreek Corporation with effective interest rate of 6.2% and maturity in 2020.

Concentrations of current accounts and customer deposits

As of 30 June 2010 and 31 December 2009, there are no demand or term deposits from customers, which individually exceed 10% of total customer accounts.

Information about the currency and maturity and effective interest rates on deposits by customers is presented in note 28.

18 Debt securities issued

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Promissory notes issued at nominal value	14,450,216	5,344,584
Unamortized discount on promissory notes	(573,156)	(207,768)
	13,877,060	**5,136,816**
Bonds issued	8,753,871	7,249,086
	22,630,931	**12,385,902**

Information about the currency and maturity and effective interest rates on debt securities issued is presented in note 28.

19 Other liabilities

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Allowance for credit related commitments	151,327	163,589
Payables to suppliers	53,964	81,761
Operating taxes payable	44,052	37,047
Payables to Deposit Insurance Agency	36,622	27,619
Deferred income	57,062	10,828
Other	142,380	97,960
Other liabilities	**485,407**	**418,804**

20 Share capital

Share capital consists of ordinary shares and was contributed by the shareholder in Roubles. The shareholder is entitled to dividends and capital distributions. Issued, outstanding and paid share capital comprises 6,276,158,008 shares (31 December 2009: 6,276,158,008 shares) with par value of 1 RUR per share. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUR 861,930 thousand.

Dividends payable are restricted to the maximum retained earnings of the Bank determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of the reporting date, reserves available for distribution amount to RUR 928,981 thousand (2009: RUR 1,102,761 thousand).

21 Commitments

	30 June 2010 RUR'000 (unaudited)	**31 December 2009 RUR'000**
Guarantees	2,674,667	8,994,203
Letters of credit	7,670,693	2,143,214
Undrawn loan commitments	353,810	294,333
	10,699,170	**11,431,750**

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

22 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

23 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

24 Related party transactions

The outstanding balances and related average interest rates as at 30 June 2010 and 31 December 2009 with related parties are as follows:

	30 June 2010 (unaudited)		31 December 2009	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Loans to customers				
Ultimate shareholder	130,441	12.0%	207,682	15.7%
Other subsidiaries of the parent company	499,829	12.0%	411,475	16.7%
Management	44,300	10.7%	27,188	12.4%
Total loans	**674,570**		**646,345**	
Deposits by customers				
Ultimate shareholder	135,047	7.8%	247,217	11.7%
Parent company	4,780	13.0%	41,060	15.8%
Other subsidiaries of the parent company	3,490,198	6.7%	128,451	2.0%
Management	18,857	11.9%	4,446	12.9%
Total deposits	**3,648,882**		**421,174**	

Amounts included in the interim condensed consolidated statement of comprehensive income for the six-month periods ended 30 June 2010 and 2009 in relation to transactions with related parties are as follows:

	30 June 2010 RUR'000 (unaudited)	30 June 2009 RUR'000 (unaudited)
Interest income on loans to customers		
Ultimate shareholder	12,426	1,462
Parent company	-	3,541
Other subsidiaries of the parent company	29,930	16,967
Management	2,013	1,135
Total interest income	**44,369**	**23,105**
Interest expense on deposits by customers and promissory notes		
Ultimate shareholder	13,803	7,420
Parent company	758	-
Other subsidiaries of the parent company	17,170	-
Management	1,111	574
Total interest expense	**32,842**	**7,994**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the periods ended 30 June 2010 and 2009 (refer to note 6) is as follows:

	30 June 2010 RUR'000 (unaudited)	30 June 2009 RUR'000 (unaudited)
Members of the Supervisory Board	1,161	1,435
Members of the Management Board	19,975	14,694
	21,136	**16,129**

25 Cash and cash equivalents

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
Cash on hand	2,120,576	2,482,467
Correspondent account with the Central Bank of the Russian Federation	1,560,706	3,573,693
Due from credit institutions with maturity of less than 1 month	1,078,941	2,573,615
Cash and cash equivalents	**4,760,223**	**8,629,775**

26 Capital management

The Central Bank of the Russian Federation sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of the Russian Federation, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 30 June 2010, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio during the periods ended 30 June 2010 and 31 December 2009.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basle Accord, as at 30 June 2010 and 31 December 2009:

	30 June 2010 RUR'000 (unaudited)	**31 December 2009 RUR'000**
Tier 1 capital		
Share capital and additional paid-in capital	7,300,774	7,300,774
Retained earnings	4,177,609	2,916,454
Total tier 1 capital	**11,478,383**	**10,217,228**
Tier 2 capital		
Revaluation surplus for buildings	500,424	500,424
Revaluation reserve for investments available-for-sale	269,067	325,794
Subordinated debt (unamortized portion)	3,635,029	604,884
Total tier 2 capital	**4,404,520**	**1,431,102**
Total capital	**15,882,903**	**11,648,330**
Risk-weighted assets		
Banking book	92,781,331	67,618,009
Trading book	20,429,224	15,619,814
Total risk weighted assets	**113,210,555**	**83,237,823**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**14,0**	**14.0**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**10,1**	**12.3**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Group. The Group complies with all externally imposed capital requirements during the periods ended 30 June 2010 and 31 December 2009.

27 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the First deputy of Chairman of the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate banking: comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guaranties, corporate deposit taking, settlements and money transfer, currency conversion
- Retail banking: comprises retail demand and term deposit services; retail lending, including consumer loans, car loans and mortgages, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals
- Treasury: comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- International business: comprises borrowings from international financial institutions and trade finance operations
- Cash collection and other cash operations: comprise all operations connected with cash, cash collection, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on statutory financial information, as included in the internal management reports that are reviewed by the First deputy of Chairman of the Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

The segment breakdown of assets and liabilities is set out below:

	30 June 2010 RUR'000 (unaudited)	**2009 RUR'000**
ASSETS		
Corporate banking	64,538,314	46,949,009
Retail banking	14,925,787	9,676,680
Treasury	29,828,763	25,690,972
International business	14,096	9,594
Cash operations	2,554,259	2,802,695
Unallocated assets	2,086,784	1,406,570
Total assets	**113,948,003**	**86,535,520**
LIABILITIES		
Corporate banking	26,631,830	13,865,315
Retail banking	36,876,695	31,372,727
Treasury	32,006,273	24,862,583
International business	5,869,294	5,190,420
Unallocated liabilities	1,829,057	1,293,002
Total liabilities	**103,213,149**	**76,584,047**

Segment information for the main reportable segments for the six-month period ended 30 June 2010 is set below:

RUR'000	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	4,048,888	764,272	1,363,448	-	-	-	6,176,608
Fee and commission income	657,846	228,784	58,717	2,102	250,339	-	1,197,788
Net gain on securities	-	-	243,928	-	-	-	243,928
Net foreign exchange income (loss)	7,949	7,252	(16,618)	-	-	(107)	(1,524)
Other income	9,446	42,153	-	-	-	772	52,371
(Expenses) revenue from other segments	(2,034,946)	1,764,375	(83,841)	354,412	-	-	-
Revenue	**2,689,183**	**2,806,836**	**1,565,634**	**356,514**	**250,339**	**665**	**7,669,171**
Impairment losses	(925,290)	(708,961)	(19,127)	-	-	-	(1,653,378)
Interest expense	(574,698)	(2,139,765)	(1,137,921)	(87,661)	-	-	(3,940,045)
Fee and commission expense	(10,854)	(10,821)	(5,877)	(24,601)	-	-	(52,153)
Depreciation	(292)	(34,921)	(114)	(19)	(11,841)	(20,747)	(67,934)
General administrative expenses	(45,742)	(356,883)	(11,469)	(19,346)	(222,443)	(355,006)	(1,010,889)
Other expenses	-	(60,969)	-	-	-	(40,876)	(101,845)
Income before income taxes	**1,132,307**	**(505,484)**	**391,126**	**224,887**	**16,055**	**(415,964)**	**842,927**
Income tax	-	-	-	-	-	(224,927)	**(224,927)**
Segment result	**1,132,307**	**(505,484)**	**391,126**	**224,887**	**16,055**	**(640,891)**	**618,000**

Segment information for the main reportable segments for the six-month period ended 30 June 2009 is set below:

RUR'000	Corporate banking	Retail banking	Treasury	International business	Cash operations	Unallocated	Total
External interest income	2,790,643	600,474	588,692	-	-	-	3,979,809
Fee and commission income	420,354	204,290	491	-	208,864	-	833,999
Net gain on securities	-	-	3,953	-	-	-	3,953
Net foreign exchange income (loss)	28,401	6,650	(44,267)	-	-	(90)	(9,306)
Other income	24,611	24,913	-	-	-	10,353	59,877
(Expenses) revenue from other segments	(1,826,807)	655,761	276,639	894,407	-	-	-
Revenue	**1,437,202**	**1,492,088**	**825,508**	**894,407**	**208,864**	**10,263**	**4,868,332**
Impairment losses	(549,664)	(403,257)	(57,746)	-	-	-	(1,010,667)
Interest expense	(132,649)	(946,163)	(1,093,463)	(299,376)	-	-	(2,471,651)
Fee and commission expense	(9,887)	(3,019)	(8,911)	(41,209)	-	-	(63,026)
Depreciation	(378)	(23,580)	(210)	(10)	(9,984)	(14,378)	(48,540)
General administrative expenses	(40,687)	(313,373)	(5,208)	(8,735)	(185,807)	(299,981)	(853,791)
Other expenses	-	(26,945)	-	-	-	(56,765)	(83,710)
Income before income taxes	**703,937**	**(224,249)**	**(340,030)**	**545,077**	**13,073**	**(360,861)**	**336,947**
Income tax	-	-	-	-	-	(149,550)	**(149,550)**
Segment result	**703,937**	**(224,249)**	**(340,030)**	**545,077**	**13,073**	**(510,411)**	**187,397**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	30 June 2010 RUR'000 (unaudited)	30 June 2009 RUR'000 (unaudited)
Income before income taxes per management accounting	842,927	336,947
Consolidation adjustments	(5,216)	9,955
Interest and commission accruals	(88,319)	(124,672)
Fair value and other adjustments to securities	(44,529)	(35,782)
Adjustments to impairment allowances	966,999	106,083
Personnel, administrative and operating expenses accruals	(142,569)	(139,161)
Other adjustments	37,468	182,037
Income before income taxes per IFRS financials	**1,566,761**	**335,407**

	30 June 2010 RUR'000 (unaudited)		31 December 2009 RUR'000	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Total assets/liabilities per management accounting	113,948,003	103,213,149	86,535,520	76,584,047
Accrual of administrative and operating expenses	-	68,276	-	48,766
Consolidation adjustments	(460,614)	(525,462)	(678,977)	(753,888)
Revaluation and other adjustments to property and equipment	116,626	-	913,437	-
Adjustment of current and deferred tax assets and liabilities	(20,021)	243,651	-	385,102
Accrual of interest and commissions	(216,434)	43,695	(360,981)	(12,377)
Adjustments to impairment allowances	1,931,364	(308,580)	659,753	(245,221)
Fair value adjustment to securities	(295,800)	-	(9,752)	-
Accrual of employee compensation payable	-	20,521	-	9,125
Total assets/liabilities per IFRS financials	**115,003,124**	**102,755,250**	**87,059,000**	**76,015,554**

28 Risk management

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

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has policies and procedures for the management of credit exposures (both for recognized and unrecognized exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Lending Division, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Corporate Lending Division and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the interim condensed consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

	30 June 2010 RUR'000 (unaudited)	31 December 2009 RUR'000
ASSETS		
Due from the Central Bank of the Russian Federation	2,145,081	3,974,699
Due from credit institutions	1,369,917	3,531,280
Financial instruments at fair value through profit or loss	16,464,154	12,472,290
Available-for-sale securities	4,722,970	3,165,020
Loans to customers	84,833,761	58,290,515
Other assets	326,082	346,646
Total maximum exposure to on statement of financial position credit risk	**109,861,965**	**81,780,450**

For the analysis of concentration of credit risk in respect of loans to customers refer to note 12.

The maximum exposure to off-statement of financial position credit risk at the reporting date is presented in note 21.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group established an Operational Risk Unit as a part of the Internal Control Department. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of Internal Control Department on important developments and issues. The Head of Internal Control Department reports directly to the Supervisory Board.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are: (i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand; (ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; (iii) 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. The Bank is in compliance with these ratios during the reporting periods ended 30 June 2010 and 31 December 2009.

The following tables show all assets and liabilities as at 30 June 2010 by their remaining contractual maturities with the exception of securities included in financial assets at fair value through profit or loss and securities available for sale that are approved by the Central Bank of the Russian Federation as collateral for its loans. Such securities are shown in the category “Less than 1 month”. The amounts shown here represent carrying amounts on the reporting dates and do not include cash flows associated with future interest and coupon payments.

As at 30 June 2010 the contractual maturities of all securities included in financial assets at fair value through profit or loss and available-for-sale securities were as follows:

	Less than 1 month	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**No maturity**	**Total**
	RUR’000	**RUR’000**	**RUR’000**	**RUR’000**	**RUR’000**	**RUR’000**
Financial instruments at fair value through profit or loss	1,806,286	2,079,192	2,377,121	10,201,555	-	**16,464,154**
Available-for-sale securities	30,041	865	793,172	3,898,892	70,850	**4,793,820**

Funds attracted from the Central Bank of the Russian Federation are presented in the tables below by contractual maturities. Under the contract with the Central Bank of the Russian Federation the Bank is able to attract funds at any time within established limits. Management believes that the Bank is able to attract funds after repayment of those recognized in the interim condensed consolidated statement of financial position. For this purpose the Bank presented future inflows under available credit lines in the tables below.

30 June 2010

	Less than 1 month RUR'000	1 to 6 months RUR'000	6 months to 1 year RUR'000	1 to 3 years RUR'000	3 to 5 years RUR'000	Over 5 years RUR'000	No maturity RUR'000	Overdue RUR'000	Total RUR'000
ASSETS									
Cash and due from the Central Bank of the Russian Federation	3,681,282	-	-	-	-	-	584,375	-	**4,265,657**
Due from credit institutions	1,078,941	190,932	100,044	-	-	-	-	-	**1,369,917**
Financial instruments at fair value through profit or loss	15,582,037	-	15,179	866,938	-	-	-	-	**16,464,154**
Available-for-sale securities	3,358,449	865	680,687	682,969	-	-	70,850	-	**4,793,820**
Loans to customers	6,788,460	25,884,104	18,360,969	23,225,887	4,973,825	4,354,014	-	1,246,502	**84,833,761**
Property and equipment	-	-	-	-	-	-	2,656,533	-	**2,656,533**
Other assets	144,339	129,994	295,363	18,555	-	-	31,031	-	**619,282**
	30,633,508	**26,205,895**	**19,452,242**	**24,794,349**	**4,973,825**	**4,354,014**	**3,342,789**	**1,246,502**	**115,003,124**
LIABILITIES									
Deposits by the Central Bank of the Russian Federation	-	1,001,664	-	-	-	-	-	-	**1,001,664**
Deposits by credit institutions	7,156,929	1,568,458	2,419,747	2,214,287	600,182	846,732	-	-	**14,806,335**
Deposits by customers	17,195,360	18,752,633	12,215,095	9,627,042	5,632,594	-	-	-	**63,422,724**
Debt securities issued	1,662,551	7,886,646	6,597,128	6,484,606	-	-	-	-	**22,630,931**
Income tax liability	7,477	-	-	-	-	-	400,712	-	**408,189**
Other liabilities	197,198	136,882	-	-	-	-	151,327	-	**485,407**
	26,219,515	**29,346,283**	**21,231,970**	**18,325,935**	**6,232,776**	**846,732**	**552,039**	**-**	**102,755,250**
Net	**4,413,993**	**(3,140,388)**	**(1,779,728)**	**6,468,414**	**(1,258,951)**	**3,507,282**	**2,790,750**	**1,246,502**	**12,247,874**
Available credit lines	-	1,001,664	-	(1,001,664)	-	-	-	-	-
Net position	**4,413,993**	**(2,138,724)**	**(1,779,728)**	**5,466,750**	**(1,258,951)**	**3,507,282**	**2,790,750**	**1,246,502**	**12,247,874**
Accumulated gap	**4,413,993**	**2,275,269**	**495,541**	**5,962,291**	**4,703,340**	**8,210,622**	**11,001,372**	**12,247,874**	

31 December 2009

	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Overdue	Total
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
ASSETS									
Cash and due from the Central Bank of the Russian Federation	6,056,160	-	-	-	-	-	401,006	-	**6,457,166**
Due from credit institutions	2,573,615	957,665	-	-	-	-	-	-	**3,531,280**
Financial instruments at fair value through profit or loss	10,197,400	1,150,056	388,038	696,050	40,746	-	-	-	**12,472,290**
Available-for-sale securities	223,765	763,866	29,819	81,966	463,884	1,601,720	70,025	-	**3,235,045**
Loans to customers	4,615,850	20,353,018	10,585,415	15,137,129	2,863,307	3,478,593	-	1,257,203	**58,290,515**
Property and equipment	-	-	-	-	-	-	2,616,418	-	**2,616,418**
Other assets	95,502	153,063	128,240	26,242	-	-	53,239	-	**456,286**
	23,762,292	**23,377,668**	**11,131,512**	**15,941,387**	**3,367,937**	**5,080,313**	**3,140,688**	**1,257,203**	**87,059,000**
LIABILITIES									
Deposits by the Central Bank of the Russian Federation	1,629,195	3,500,000	1,000,000	-	-	-	-	-	**6,129,195**
Deposits by credit institutions	4,713,359	1,863,437	1,537,211	1,660,095	414,680	864,121	-	-	**11,052,903**
Deposits by customers	12,628,836	16,960,160	8,719,591	5,068,657	2,247,447	-	-	-	**45,624,691**
Debt securities issued	1,076,394	6,685,492	2,585,509	2,038,507	-	-	-	-	**12,385,902**
Income tax liability	153,797	-	-	-	-	-	250,262	-	**404,059**
Other liabilities	140,935	109,198	1,624	3,296	-	-	163,589	162	**418,804**
	20,342,516	**29,118,287**	**13,843,935**	**8,770,555**	**2,662,127**	**864,121**	**413,851**	**162**	**76,015,554**
Net	**3,419,776**	**(5,740,619)**	**(2,712,423)**	**7,170,832**	**705,810**	**4,216,192**	**2,726,837**	**1,257,041**	**11,043,446**
Available credit lines	1,629,195	3,500,000	1,000,000	(6,129,195)	-	-	-	-	-
Net position	**5,048,971**	**(2,240,619)**	**(1,712,423)**	**1,041,637**	**705,810**	**4,216,192**	**2,726,837**	**1,257,041**	**11,043,446**
Accumulated gap	**5,048,971**	**2,808,352**	**1,095,929**	**2,137,566**	**2,843,376**	**7,059,568**	**9,786,405**	**11,043,446**	

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in ALCO, which is chaired by the Chairman of the Board. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate analysis

The interest rate policy is reviewed and approved by ALCO. The average effective interest rates for interest bearing financial instruments at the reporting date are as follows:

	30 June 2010 (unaudited)			**31 December 2009**		
	USD	**RUR**	**Other foreign currencies**	**USD**	**RUR**	**Other foreign currencies**
Interest bearing assets						
Due from credit institutions	3.5%	2.6%	-	-	-	-
Financial instruments at fair value through profit or loss – government bonds	-	6.5%	-	-	7.7%	-
Financial instruments at fair value through profit or loss – corporate notes and municipal bonds	-	7.7%	-	-	10.4%	-
Available-for-sale securities – government bonds	5.8%	6.3%	-	6.0%	8.1%	-
Available-for-sale securities – corporate notes and municipal bonds	-	7.9%	-	-	11.3%	7.0%
Loans to customers	11.6%	14.5%	11.5%	12.6%	17.8%	13.0%
Interest bearing liabilities						
Deposits by the Central Bank of the Russian Federation	-	6.8%	-	-	9.13%	-
Deposits by credit institutions	4.7%	4.2%	2.5%	4.5%	7.9%	2.1%
- Syndicated loans	3.6%	-	-	3.7%	-	-
- Subordinated debt	6.0%	-	-	6.4%	-	-
Term deposits by customers	9.0%	11.6%	8.8%	10.5%	14.4%	10.0%
Debt securities issued	0.7%	7.8%	6.2%	6.3%	14.2%	8.5%

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Supervisory Board sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation. The exposure of banking assets to foreign currency exchange rate risk at the reporting date is as follows:

	30 June 2010 (unaudited)				31 December 2009			
	USD	**RUR**	**Other currencies**	**Total**	**USD**	**RUR**	**Other currencies**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
ASSETS								
Cash and due from the Central Bank of the Russian Federation	261,551	3,812,143	191,963	**4,265,657**	331,834	5,933,291	192,041	**6,457,166**
Due from credit institutions	515,301	441,544	413,072	**1,369,917**	498,170	357,672	2,675,438	**3,531,280**
Financial instruments at fair value through profit or loss	-	16,464,154	-	**16,464,154**	-	12,472,290	-	**12,472,290**
Available-for-sale securities	1,571,589	3,222,231	-	**4,793,820**	1,601,721	1,566,744	66,580	**3,235,045**
Loans to customers	11,804,208	67,302,525	5,727,028	**84,833,761**	9,883,588	44,843,957	3,562,970	**58,290,515**
Property and equipment	-	2,656,533	-	**2,656,533**	-	2,616,418	-	**2,616,418**
Other assets	74,765	542,269	2,248	**619,282**	19,294	435,641	1,351	**456,286**
	14,227,414	**94,441,399**	**6,334,311**	**115,003,124**	**12,334,607**	**68,226,013**	**6,498,380**	**87,059,000**

	30 June 2010 (unaudited)				31 December 2009			
	USD	**RUR**	**Other currencies**	**Total**	**USD**	**RUR**	**Other currencies**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
LIABILITIES								
Deposits by the Central Bank of the Russian Federation	-	1,001,664	-	**1,001,664**	-	6,129,195	-	**6,129,195**
Deposits by credit institutions	5,100,464	8,752,628	953,243	**14,806,335**	4,469,566	5,518,362	1,064,975	**11,052,903**
Deposits by customers	7,406,367	49,515,035	6,501,322	**63,422,724**	6,442,761	31,945,888	7,236,042	**45,624,691**
Debt securities issued	1,343,469	20,849,829	437,633	**22,630,931**	397,599	11,281,757	706,546	**12,385,902**
Income tax liability	-	408,189	-	**408,189**	-	404,059	-	**404,059**
Other liabilities	4,543	466,914	13,950	**485,407**	3,349	415,268	187	**418,804**
	13,854,843	**80,994,259**	**7,906,148**	**102,755,250**	**11,313,275**	**55,694,529**	**9,007,750**	**76,015,554**
Net position	**372,571**	**13,447,140**	**(1,571,837)**	12,247,874	**1,021,332**	**12,531,484**	**(2,509,370)**	11,043,446
Spot contracts	(1,025,680)	(341,389)	1,367,069	-	(1,218,365)	(1,035,006)	2,253,371	-
Total	**(653,109)**	**13,105,751**	**(204,768)**	12,247,874	**(197,033)**	**11,496,478**	**(255,999)**	11,043,446

Geographical risk

The geographical risk is the risk of losses in the result of a foreign counterparty failing to meet its obligations due to political, economic or social instability in the respective country.

The geographical concentration of financial assets and liabilities as at 30 June 2010 and 31 December 2009 is disclosed in the table below:

	30 June 2010 (unaudited)				31 December 2009			
	Russia	**OECD**	**Other non-OECD**	**Total**	**Russia**	**OECD**	**Other non-OECD**	**Total**
	RUR'000	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**	**RUR'000**
ASSETS								
Cash and due from the Central Bank of the Russian Federation	3,812,143	453,514	-	**4,265,657**	5,933,293	523,873	-	**6,457,166**
Due from credit institutions	689,013	678,129	2,775	**1,369,917**	859,997	2,668,529	2,754	**3,531,280**
Financial instruments at fair value through profit or loss	16,304,644	-	159,510	**16,464,154**	12,316,938	-	155,352	**12,472,290**
Available-for-sale securities	4,729,591	64,229	-	**4,793,820**	3,235,045	-	-	**3,235,045**
Loans to customers	84,386,151	-	447,610	**84,833,761**	58,084,109	-	206,406	**58,290,515**
	109,921,542	**1,195,872**	**609,895**	**111,727,309**	**80,429,382**	**3,192,402**	**364,512**	**83,986,296**
LIABILITIES								
Deposits by the Central Bank of the Russian Federation	1,001,664	-	-	**1,001,664**	6,129,195	-	-	**6,129,195**
Deposits by credit institutions	8,993,327	5,813,006	2	**14,806,335**	5,735,136	5,317,765	2	**11,052,903**
Deposits by customers	58,923,390	81,477	4,417,857	**63,422,724**	45,124,467	37,683	462,541	**45,624,691**
Debt securities issued	22,317,152	206,815	106,964	**22,630,931**	12,043,374	222,518	120,010	**12,385,902**
	91,235,533	**6,101,298**	**4,524,823**	**101,861,654**	**69,032,172**	**5,577,966**	**582,553**	**75,192,691**
Net position	18,686,009	(4,905,426)	(3,914,928)	9,865,655	11,397,210	(2,385,564)	(218,041)	8,793,605

29 Events subsequent to the reporting date

In July 2010 the Bank placed its domestic bond issue series 07 for the total amount of RUR 2 billion with a 5-year maturity at MICEX.

In July 2010 the Bank opened a new branch in Moscow.

In August 2010 the Bank paid out the second coupon yield in the amount of RUR 159,560 thousand on domestic bonds series 06. The bond issue in the amount of RUR 2 billion with a maturity of 3 years.