“BANK “ST PETERSBURG” OJSC Group

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

30 June 2011

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Independent Auditors' Report on review of Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of "Bank "Saint-Petersburg" OJSC and its subsidiaries as at 30 June 2011, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2011 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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5 September 2011

(In thousands of Russian Roubles)	Note	30 June 2011 (unaudited)	31 December 2010
ASSETS			
Cash and cash equivalents		13 906 249	13 180 184
Mandatory cash balances with the Central Bank of the Russian Federation		2 905 109	1 670 712
Trading securities	7	34 606 505	36 524 627
Trading securities pledged under sale and repurchase agreements	8	11 678 090	254 356
Amounts receivable under reverse repurchase agreements	9	4 727 989	8 423 538
Loans to banks		3 598 679	12 397 925
Loans and advances to customers	10	198 346 729	182 818 339
Investment securities available-for-sale	11	3 768 107	280 491
Investment securities held-to-maturity	12	169 605	169 638
Other financial assets		801 275	305 785
Deferred income tax asset		223 453	219 616
Investment property		4 576 035	3 956 820
Premises, equipment and intangible assets		11 743 331	11 762 753
Other assets		1 004 884	643 915
TOTAL ASSETS		**292 056 040**	**272 608 699**
LIABILITIES			
Due to banks		18 043 264	11 326 393
Customer accounts	13	201 942 136	191 807 676
Bonds issued	14	16 039 021	16 281 994
Other debt securities in issue		10 286 663	10 365 230
Other borrowed funds	15	12 011 038	13 121 108
Other financial liabilities		653 135	474 229
Income tax liability		205 223	136 223
Other liabilities		606 784	531 635
TOTAL LIABILITIES		**259 787 264**	**244 044 488**
EQUITY			
Share capital	16	3 629 541	3 629 541
Share premium	16	15 744 164	15 744 164
Revaluation reserve for premises		1 966 015	1 966 015
Revaluation reserve for investment securities available-for-sale		29 059	26 346
Retained earnings		10 899 997	7 198 145
TOTAL EQUITY		**32 268 776**	**28 564 211**
TOTAL LIABILITIES AND EQUITY		**292 056 040**	**272 608 699**

Approved for issue and signed on behalf of the Supervisory Board on 2 September 2011.

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

A.V. Saveliev
Chairman of the Board

N.G. Tomilina
Acting Chief Accountant

(In thousands of Russian Roubles)	**Note**	**Six-month period ended 30 June 2011 (unaudited)**	**Six-month period ended 30 June 2010 (unaudited)**
Interest income	18	12 612 403	12 609 635
Interest expense	18	(5 824 592)	(6 531 400)
Net interest income		**6 787 811**	**6 078 235**
Provision for loan impairment		(962 955)	(3 964 749)
Net interest income after provision for loan impairment		**5 824 856**	**2 113 486**
Net gains from trading securities		163 831	375 232
Net gains from investment securities available-for-sale		879 291	256
Net gains (losses) from trading in foreign currency		856 245	(554 830)
Net (losses) gains from foreign currency exchange translation		(479 298)	910 073
Fee and commission income		1 098 493	903 230
Fee and commission expense		(159 662)	(139 733)
Gains from repayment of loans issued at below market rates		133 144	-
Expenses from recognition of loans at below market rates		(136 093)	-
Impairment of long-term assets held-for-sale		-	(213 795)
(Impairment) recovery of impairment for credit related commitments		(143 054)	17 168
Recovery of impairment for investment securities	13	-	524
Gain from early redemption of indebtedness		-	5 105
Other net operating income		179 322	90 682
Administrative and other operating expenses			
- staff costs		(1 401 033)	(962 311)
- costs related to premises and equipment		(353 879)	(261 206)
- other administrative and operating expenses		(928 973)	(721 022)
Profit before tax		**5 533 190**	**1 562 859**
Income tax expense		(1 037 730)	(435 793)
Profit for the period		**4 495 460**	**1 127 066**
Other comprehensive income			
Net gains (losses) on revaluation of investment securities available-for-sale	17	3 392	(6 652)
Deferred income tax recognised in equity related to components of comprehensive income	17	(679)	1 330
Comprehensive income for the period		**4 498 173**	**1 121 744**
Basic earnings per ordinary share (in Russian Roubles per share)	19	**13.23**	**1.17**
Diluted earnings per ordinary share (in Russian Roubles per share)	19	**12.94**	**1.17**

The notes set out on pages 5 to 50 form an integral part of this condensed consolidated interim financial information.

(In thousands of Russian Roubles)	**Note**	**Share capital**	**Share premium**	**Revaluation reserve for premises**	**Revaluation reserve for investment securities available-for-sale**	**Retained earnings**	**Total equity**
Balance as at 1 January 2010		**3 629 541**	**15 744 164**	**1 966 015**	**32 430**	**3 912 401**	**25 284 551**
Other comprehensive loss, recognized directly in equity	17	-	-		(5 322)	-	(5 322)
Profit for the period		-	-	-	-	1 127 066	1 127 066
Total comprehensive (loss) income for 6 months ended 30 June 2010 (unaudited)		**-**	**-**	**-**	**(5 322)**	**1 127 066**	**1 121 744**
Dividends declared							
- ordinary shares	20	-	-	-	-	(31 037)	**(31 037)**
- preference shares	20	-	-	-	-	(797 918)	**(797 918)**
Balance as at 30 June 2010 (unaudited)		**3 629 541**	**15 744 164**	**1 966 015**	**27 108**	**4 210 512**	**25 577 340**
Balance as at 1 January 2011		**3 629 541**	**15 744 164**	**1 966 015**	**26 346**	**7 198 145**	**28 564 211**
Other comprehensive income, recognized directly in equity	17	-	-	-	2 713	-	2 713
Profit for the period		-	-	-	-	4 495 460	4 495 460
Total comprehensive income for the 6 months ended 30 June 2011 (unaudited)		**-**	**-**	**-**	**2 713**	**4 495 460**	**4 498 173**
Dividends declared							
- ordinary shares	20	-	-	-	-	(31 037)	(31 037)
- preference shares	20	-	-	-	-	(762 571)	(762 571)
Balance as at 30 June 2011 (unaudited)		**3 629 541**	**15 744 164**	**1 966 015**	**29 059**	**10 899 997**	**32 268 776**

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2011 (unaudited)**	**Six-month period ended 30 June 2010 (unaudited)**
Net cash from operating activities	**5 937 622**	**3 865 682**
Net cash used in investment activities	**(2 796 348)**	**(1 263 494)**
Net cash (used in) from financial activities	**(2 285 276)**	**4 193 967**
Effect of exchange rate changes on cash and cash equivalents	**(129 933)**	**(326 151)**
Net increase in cash and cash equivalents	**726 065**	**6 470 004**
Cash and cash equivalents at the beginning of the period	13 180 184	21 419 473
Cash and cash equivalents at the end of the period	**13 906 249**	**27 889 477**

1 Introduction

This condensed consolidated interim financial information is prepared in accordance with International Financial Reporting Standard (IAS) 34 “Interim Financial Reporting” for the six-month period ended 30 June 2011 for “Bank “St Petersburg” OJSC (the “Bank”) and a controlled special purpose entity BSPB Finance plc (together referred to as the “Group” or OJSC “Bank “St Petersburg” Group”).

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

As at 30 June 2011 29.9% of the ordinary shares of the Bank are controlled by Mr. Saveliev A.V. (31 December 2010: 29.9%). The rest of the management of the Bank controls a further 7.2% of ordinary shares (31 December 2010: 5.9%). As at 30 June 2011 19.4% of ordinary shares of the Bank are controlled by the company “MALVENST INVESTMENTS LIMITED” (31 December 2010: the company “System Technologies” controlled 19.4% of ordinary shares). In 2011 Mr. Saveliev A.V. bought a 19% interest and an option to purchase an 81.0% interest in the company “WELLFAME PACIFIC LIMITED”, which controls 100% of the share capital of “MALVENST INVESTMENTS LIMITED” (31 December 2010: Mr. Saveliev A.V. owned a 19.0% interest in the company “System Technologies” and an option to purchase an 81.0% interest). There is no contractual agreement between any members of the Bank’s management team and Mr Saveliev on joint control of the Bank.

Other shareholders of the Bank are: 8.0% of shares are controlled by the company RUSSIAN DEALERSHIPS HOLDING (RDH) LIMITED controlled by Mr. Pilipenko Y.I. (31 December 2010: 8.0%). The remaining 35.5% (31 December 2010: 36.8%) of ordinary shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank operates under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ “On Retail Deposit Insurance in the Russian Federation” dated 23 December 2003. Indemnity of the deposits placed in respect of which an insured event happens, is paid to a depositor in the amount of 100% of total deposits, but limited to RR 700 thousand.

As at 30 June 2011 the Bank has 5 branches within the Russian Federation: 3 branches are located in North-West region of Russia, 1 branch is in Moscow and 1 branch is in Nizhniy Novgorod and 30 outlets (31 December 2010: 5 branches within the Russian Federation: 3 branches are located in North-West region of Russia, 1 branch was in Moscow and 1 branch was in Nizhniy Novgorod and 30 outlets).

BSPB Finance plc., a special purpose entity, is used by the Bank for its Eurobond issue (see note 14). Close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund” are used by the Bank for activities with non-core assets.

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

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

2 Operating Environment of the Group

Economic environment in the Russian Federation. The Global financial crisis has seriously impacted Russian economics and starting in the second half of 2008 the financial situation and real sector deteriorated significantly. The Russian Federation is experiencing political and economic change that affected, and may continue to affect, the activities of enterprises operating in this environment. Operations in the Russian Federation involve risks that typically do not exist in market economies and are more typical of developing markets. Russian economics is sensitive to negative trends in global markets, and the risk of increased volatility of Russian financial markets still exists.

2 Operating Environment of the Group (continued)

In 2010 the Russian economy started to experience a recovery in economic growth. The GDP growth for the six-month period ended 30 June 2011 according to the Ministry of Economic Development (MED) estimates was 3.9%. Industrial production growth for the six-month period ended 30 June 2011 was 5.3%.

For the 2nd half year of 2011 the MED forecasts 4.5% GDP growth due to the trends seen in the Russian economy, primarily an increase in investments. In the 1st quarter of the 2011 the increase in investments was 0.8% against 4.9% in the 2nd quarter of the year, primarily due to increase in state investments both on the federal, regional and municipal levels.

This condensed consolidated interim financial information reflects management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group.

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

Management estimates the loan impairment allowance taking into account the current economic situation and perspectives as at the end of reporting period and applies the “incurred loss” model in accordance with the requirements of applicable accounting standards. These standards require recognition of impairment losses arising due to past events and prohibit recognition of impairment losses that can arise due to future events irrespective of the degree of probability of such events. See note 10.

Management cannot foresee all factors that can affect the development of the banking sector and the economy as a whole as well as the impact (if any) they can have on the financial position of the Group in the future. Management believes that it takes all the necessary steps to sustain the stability and development of the Group’s business.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. As permitted by IAS 34 “Interim Financial Reporting”, an entity may decide to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information is prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2010. These policies are consistently applied to all the periods presented. The condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of financial statements.

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

The operations are not of a seasonal or cyclical nature.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Investment securities held-to-maturity. Management determines whether to classify financial assets as held-to-maturity and in particular to demonstrate its intention and ability to hold these assets to maturity. If the Group fails to hold these investments to maturity (except for a particular circumstance – such as sale of insignificant amount of investments shortly before the date of maturity) the Group will have to reclassify all securities of this type into the category of assets available-for-sale. Such reclassified investments will be measured at fair value, not at amortised cost. If all investment securities held-to-maturity were to be reclassified, their carrying value would decrease by RR 43 374 thousand (31 December 2010: RR 41 050 thousand).

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the allowance would be approximately RR 80 863 thousand higher or lower as at 30 June 2011 (31 December 2010: RR 84 236 thousand higher or lower).

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are obtained from the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed using sales comparison approach i.e., comparison with other premises that were sold or are offered for sale. To the extent that the assessed change in the fair value premises differs by 10%, the effect of the revaluation adjustment would be RR 522 909 thousand (before deferred tax) as at 30 June 2011 (31 December 2010: RR 520 352 thousand).

5 Adoption of New or Revised Standards and Interpretations

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

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (*effective for annual periods beginning on or after 1 July 2010*) clarifies accounting methods for the cases when the company reviews the conditions of debt liabilities as a result of which the liability is repaid through issue by the debtor of own equity instruments to the creditor. Gain or loss is recognised within profit or loss and constitutes the difference between the fair value of equity instruments and the carrying value of the debt.

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

Disclosures – Transfer of financial assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 January 2011) requires additional disclosure of the risk that arises due to transfer of financial assets. The amendment includes the requirement to disclose the following information by classes of financial assets transferred to the counterparty that are listed on the statement of financial position: type, value, description of risks and benefits related to the asset. Disclosure allowing the user to understand the size of the financial liability related to the asset as well as the interrelation between the financial asset and the related financial liability is also required. In case the recognition of asset was ceased but the company is still prone to certain risks and can gain certain benefits related to the transferred asset, additional disclosures to understand the amount of such risk are needed.

These amendments did not significantly affect this condensed consolidated interim financial information.

6 New Accounting Pronouncements

IFRS 9 Financial Instruments: Classification and Measurement. The first phase of IFRS 9 was issued in November 2009 and replaces sections of IAS 39 related to classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The revised IFRS 9 includes classification and evaluation of financial liabilities. Its major differences include:

- Financial assets are subject to classification into two measurement categories: subsequently measured at fair value and subsequently measured at amortised cost. The decision on classification is to be taken at initial recognition. The classification depends on the company's business-model of financial instruments management and on the characteristics of contractual cash flows on the instrument.

- The instrument is subsequently measured at amortised cost only if it is a debt instrument and (i) the company's business-model is aimed at holding the asset for the purpose of receiving contractual cash flows and simultaneously (ii) contractual cash flows on the asset are only payments of the principal amount and interest only (i.e. a financial instrument has only "basic loan characteristics"). All other debt instruments are to be measured at fair value through profit or loss accounts.

- All equity instruments are to be subsequently measured at fair value. Equity instruments available-for-sale will be measured and recognised at fair value through the profit or loss account. For other equity investments the decision may be made at initial recognition to recognise unrealised and realised gain or loss on revaluation at fair value in other comprehensive income. In such cases gains and losses arising on revaluation are not transferred to profit or loss. This decision can be made separately for each financial instrument. Dividends are recorded in profit or loss as they represent investment yield.

- Most of the IAS 39 requirements in respect of classifications and evaluation of financial liabilities were transferred to IFRS 9 with no changes. The major difference is the requirement for the company to disclose the effect of changes in own credit risk for financial liabilities recognized at fair value through profit or loss, within other comprehensive income.

Adoption of IFRS 9 is obligatory starting from 1 January 2013, however this date may be extended to 1 January 2015. Early adoption is allowed.

6 New Accounting Pronouncements (continued)

IFRS 10 Consolidated Financial Statements will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 11 Joint Arrangements will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results in a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 12 Disclosure of Interests in Other Entities will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

IFRS 13 Fair Value Measurement will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

6 New Accounting Pronouncements (continued)

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

Various ***Improvements to IFRSs*** have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

7 Trading Securities

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Corporate bonds	23 721 137	22 556 410
Corporate Eurobonds	5 154 711	3 037 964
Municipal bonds	4 052 747	5 081 650
Federal loan bonds (OFZ bonds)	673 537	4 215 755
Russian Federation Eurobonds	-	802 109
Total debt securities	**33 602 132**	**35 693 888**
Corporate shares	1 004 373	830 739
Total trading securities	**34 606 505**	**36 524 627**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are tradable in the Russian market. These bonds have maturity dates from 6 July 2011 to 18 March 2021 (31 December 2010: from 27 January 2011 to 13 October 2020); coupon rates from 6.5% to 19.0% p.a. (31 December 2010: from 6.5% to 18.5% p.a.); and yields to maturity from minus 1.7% to 23.6% p.a. as at 30 June 2011 (31 December 2010: from 1.2% to 12.3% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest bearing securities denominated in USD issued by Russian companies and are tradable internationally and over-the-counter Russian market. Corporate Eurobonds have maturity dates from 21 July 2011 to 16 June 2021 (31 December 2010: from 20 June 2011 to 25 October 2017); coupon rates from 5.1% to 11.8% p.a. (31 December 2010: from 6.5% to 11.8% p.a.); and yields to maturity from 1.5% to 8.6% p.a. as at 30 June 2011 (31 December 2010: from 1.7% to 8.4% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Saint Petersburg, Moscow region, Samara region and Krasnoyarsky region (31 December 2010: municipal administrations of Moscow, Moscow Region and Samara Region). These bonds are sold at a discount to nominal value, have maturity dates from 11 August 2011 to 11 June 2022 (31 December 2010: from 19 April 2011 to 19 November 2015); coupon rates from 7.6% to 15.0% p.a. (31 December 2010: from 7.6% to 10.0% p.a.); and yields to maturity from 4.5% to 8.0% p.a. as at 30 June 2011 (31 December 2010: from 5.2% to 8.5% p.a.), depending on the type of bond issue.

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 9 November 2011 to 6 February 2013 (31 December 2010: from 6 July 2011 to 15 July 2015); coupon rates from 6.2% to 11.9% p.a. (31 December 2010: from 6.2% to 11.9% p.a.); and yields to maturity from 4.0% to 5.5% p.a. as at 30 June 2011 (31 December 2010: from 4.5% to 7.5% p.a.), depending on the type of bond issue.

As at 31 December 2010 Russian Federation Eurobonds were interest bearing securities denominated in USD, issued by the Ministry of Finance of the Russian Federation, and traded internationally, coupon rate of 7.5% p.a., and yields to maturity of 4.8% p.a.

7 Trading Securities (continued)

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

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

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

Group A – debt securities with credit rating of the issuer at least BBB- according to S&P rating agency.

Group B – other debt securities.

Analysis by credit quality of debt trading securities outstanding at 30 June 2011 is as follows:

(In thousands of Russian Roubles)	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Total
Not overdue or impaired (at fair value)					
Group A	14 225 913	1 908 762	4 052 731	673 537	20 860 943
Group B	9 495 224	3 245 949	16	-	12 741 189
Total debt trading securities not overdue or impaired	**23 721 137**	**5 154 711**	**4 052 747**	**673 537**	**33 602 132**
Total debt trading securities	**23 721 137**	**5 154 711**	**4 052 747**	**673 537**	**33 602 132**

As at 30 June 2011 64.7% of Group B comprise securities with a rating of BB- and above.

Analysis by credit quality of debt trading securities outstanding at 31 December 2010 is as follows:

(In thousands of Russian Roubles)	Corporate bonds	Corporate Eurobonds	Municipal bonds	Federal loan bonds	Russian Federation Eurobonds	Total
Not overdue or impaired (at fair value)						
Group A	13 583 614	475 006	5 081 630	4 215 755	802 109	24 158 114
Group B	8 972 790	2 562 958	20	-	-	11 535 768
Total debt trading securities not overdue or impaired	**22 556 404**	**3 037 964**	**5 081 650**	**4 215 755**	**802 109**	**35 693 882**
Overdue (at fair value)						
- overdue over 365 calendar days	6	-	-	-	-	6
Total overdue debt trading securities	**6**	**-**	**-**	**-**	**-**	**6**
Total debt trading securities	**22 556 410**	**3 037 964**	**5 081 650**	**4 215 755**	**802 109**	**35 693 888**

As at 31 December 2010 70.2% of Group B comprise securities with a rating of BB- and above.

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

Currency and maturity analyses of trading securities are disclosed in note 22.

8 Trading Securities Pledged Under Sale and Repurchase Agreements

(In thousands of Russian Roubles)	30 June 2011	31 December 2010
Corporate bonds	4 336 860	96 044
Federal loan bonds (OFZ bonds)	3 975 489	-
Municipal bonds	1 765 581	-
Corporate shares	1 600 160	158 312
Total trading securities pledged under sale and repurchase agreements	**11 678 090**	**254 356**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are tradable in the Russian market. These bonds have maturity dates from 5 December 2012 to 15 September 2020 (31 December 2010: 6 March 2014); coupon rates from 7.0% to 15.0% p.a. (31 December 2010: 10.0% p.a.) and yields to maturity from 5.9% to 7.8% p.a. as at 30 June 2011, depending on the type of bond issue (31 December 2010: 12.3% p.a.). The term of the corresponding sale and repurchase agreements is 1 calendar day (31 December 2010: 13 calendar days), with an effective rate from 3.6% to 3.9% p.a. (31 December 2010: 3.1% p.a.).

Federal loan bonds (OFZ bonds) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 28 September 2011 to 6 February 2013; coupon rates from 6.2% to 11.9% p.a.; and yields to maturity from 4.0% to 5.5% p.a. as at 30 June 2011, depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate of 3.9% p.a. (31 December 2010: there were no OFZ bonds).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow. These bonds are sold at a discount to nominal value, have maturity dates from 18 December 2011 to 8 June 2014; coupon rates from 8.0% to 14.0% p.a.; and yields to maturity from 4.5% to 6.5% p.a. as at 30 June 2011, depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 1 day with an effective rate from 3.6% to 3.9% p.a. (31 December 2010: there were no municipal bonds).

Corporate shares are shares of Russian companies. The term of the corresponding sale and repurchase agreements is from 12 to 13 calendar days (31 December 2010: from 12 to 13 calendar days); with an effective rate from 1.0% to 2.5% p.a. (31 December 2010: from 1.0% to 2.5% p.a.).

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 30 June 2011 is as follows:

(In thousands of Russian Roubles)	Corporate bonds	Federal loan bonds (OFZ bonds)	Municipal bonds	Total
Group A	4 052 961	3 975 489	1 765 581	9 794 031
Group B	283 899	-	-	283 899
Total debt trading securities pledged under sale and repurchase agreements	**4 336 860**	**3 975 489**	**1 765 581**	**10 077 930**

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

Analysis by credit quality of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2010 is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**	**Total**
Group A	96 044	**96 044**
Total debt trading securities pledged under sale and repurchase agreements	**96 044**	**96 044**

For definition of Groups A and B see note 7.

As at 30 June 2011 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 9 854 296 thousand (31 December 2010: there were no sale and repurchase agreements with credit institutions included in due to banks).

As at 30 June 2011 included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 768 964 thousand (31 December 2010: RR 222 708 thousand). Refer to note 13.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in note 22.

9 Amounts Receivable Under Reverse Repurchase Agreements

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Amounts receivable under reverse repurchase agreements with banks	3 529 887	4 068 063
Amounts receivable under reverse repurchase agreements with customers	1 198 102	4 355 475
Total amounts receivable under reverse repurchase agreements	**4 727 989**	**8 423 538**

As at 30 June 2011 amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by municipal bonds, corporate bonds and corporate shares (31 December 2010: by municipal bonds, corporate bonds and corporate shares). As at 30 June 2011 the fair value of securities that serve as collateral under reverse repurchase agreements is RR 4 206 638 thousand (31 December 2010: RR 9 691 604 thousand).

Corporate shares with a fair value of RR 318 477 thousand (31 December 2010: RR 146 686 thousand) and municipal bonds with a fair value of RR 150 995 thousand (31 December 2010: there were no municipal bonds), received as collateral under these agreements are pledged under direct repurchase agreements.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements is disclosed in note 22.

10 Loans and Advances to Customers

(In thousands of Russian Roubles)	30 June 2011	31 December 2010
Corporate loans		
- loans to finance working capital	135 291 525	122 694 810
- investment loans	58 448 933	55 872 254
- loans to entities financed by the government	9 970 893	9 626 801
Loans to individuals		
- mortgage loans	7 833 448	7 700 090
- car loans	638 186	687 179
- consumer loans to VIP clients	4 104 393	4 135 360
- other loans to individuals	1 673 142	1 537 787
Allowance for impairment	(19 613 791)	(19 435 942)
Total loans and advances to customers	**198 346 729**	**182 818 339**

As at 30 June 2011 the carrying value of securities reclassified in 2008 to loans and advances to customers amounts to RR 981 412 thousand before impairment (31 December 2010: RR 2 138 699 thousand).

Movements in the allowance for loan impairment during the six-month period ended 30 June 2011 is as follows:

(In thousands of Russian Roubles)	Corporate loans	Loans to individuals	Total
Allowance for loan impairment at 31 December 2010	**18 202 964**	**1 232 978**	**19 435 942**
Provision for impairment during the period	1 122 410	(168 454)	**953 956**
Loans sold during the period	(770 464)	-	**(770 464)**
Loans written off during the period as uncollectible	(4 656)	(987)	**(5 643)**
Allowance for loan impairment at 30 June 2011	**18 550 254**	**1 063 537**	**19 613 791**

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

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

10 Loans and Advances to Customers (continued)

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

	30 June 2011		31 December 2010	
(In thousands of Russian Roubles)	Amount	%	Amount	%
Heavy machinery and ship-building	32 874 310	15.1	28 780 469	14.2
Construction	29 731 841	13.6	24 501 570	12.1
Trade	28 066 875	12.9	25 753 396	12.7
Leasing and financial services	23 595 978	10.8	17 356 272	8.6
Real estate	20 315 660	9.3	21 576 798	10.7
Oil and gas extraction and transportation	14 655 779	6.7	14 876 175	7.4
Individuals	14 249 169	6.5	14 060 416	7.0
Production and food industry	11 249 243	5.2	11 827 141	5.8
Entities financed by the government	10 120 581	4.6	9 626 801	4.8
Transport	9 159 114	4.2	7 697 385	3.8
Sports and health and entertainment organizations	6 269 953	2.9	6 046 779	3.0
Energy	3 515 651	1.6	3 596 635	1.8
Telecommunications	3 283 338	1.5	2 793 273	1.4
Chemical industry	1 789 296	0.8	4 569 214	2.3
Other	9 083 732	4.3	9 191 957	4.4
Total loans and advances to customers (before allowance for loan impairment)	**217 960 520**	**100.0**	**202 254 281**	**100.0**

As at 30 June 2011 the 20 largest borrowers had aggregated loan amounts of RR 73 531 429 thousand (31 December 2010: RR 73 038 830 thousand), or 33.7% (31 December 2010: 36.1%) of the loan portfolio before allowance for loan impairment.

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

Mortgage loans are secured by the underlying real estate.

Car loans are secured by the underlying car.

10 Loans and Advances to Customers (continued)

The following tables provide information on the loans and advances to customers, their credit quality and the related allowance for impairment as at 30 June 2011:

(In thousands of Russian Roubles)	**Loans and advances to customers (before allowance for impairment)**	**Allowance for impairment**	**Total loans and advances to customers (after allowance for impairment)**	**Allowance for impairment to loans and advances to customers, %**
Loans and advances to legal entities				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	174 395 151	(8 202 540)	166 192 611	4.70
Watch list loans not past due	6 917 812	(609 740)	6 308 072	8.81
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	13 493 910	(3 597 968)	9 895 942	26.66
Overdue:				
- 31 to 60 calendar days	136 789	(23 736)	113 053	17.35
- 61 to 90 calendar days	344 874	(68 975)	275 899	20.00
- 91 to 180 calendar days	1 133 482	(776 550)	356 932	68.51
- 181 to 365 calendar days	356 908	(142 088)	214 820	39.81
- more than 365 calendar days	4 566 076	(2 762 308)	1 803 768	60.50
Uncollectible loans	2 366 349	(2 366 349)	-	100.00
Total loans and advances to legal entities	**203 711 351**	**(18 550 254)**	**185 161 097**	**9.11**
Loans and advances to individuals				
- mortgage loans	7 833 448	(446 298)	7 387 150	5.70
- car loans	638 186	(78 932)	559 254	12.37
- consumer loans to VIP clients	4 104 393	(453 383)	3 651 010	11.05
- other loans to individuals	1 673 142	(84 924)	1 588 218	5.08
Total loans and advances to individuals	**14 249 169**	**(1 063 537)**	**13 185 632**	**7.46**
Total loans and advances to customers	**217 960 520**	**(19 613 791)**	**198 346 729**	**9.00**

10 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	7 324 231	547 449	3 630 288	1 589 944	13 091 912
Overdue:					
- less than 5 calendar days	35 166	1 876	-	15 163	52 205
- 6 to 30 calendar days	41 256	6 127	-	2 584	49 967
- 31 to 60 calendar days	41 374	3 123	-	22 181	66 678
- 61 to 90 calendar days	12 306	3 285	-	715	16 306
- 91 to 180 calendar days	51 855	4 705	-	5 340	61 900
- 181 to 365 calendar days	85 777	10 019	-	5 314	101 110
- more than 365 calendar days	241 483	61 602	474 105	31 901	809 091
Total loans and advances to individuals (before allowance for impairment)	**7 833 448**	**638 186**	**4 104 393**	**1 673 142**	**14 249 169**
Allowance for impairment	**(446 298)**	**(78 932)**	**(453 383)**	**(84 924)**	**(1 063 537)**
Total loans and advances to individuals (after allowance for impairment)	**7 387 150**	**559 254**	**3 651 010**	**1 588 218**	**13 185 632**

10 Loans and Advances to Customers (continued)

Loans and advances to customers and the related allowance for impairment as well as an analysis of their credit quality as at 31 December 2010 are as follows:

(In thousands of Russian Roubles)	**Loans and advances to customers (before allowance for impairment)**	**Allowance for impairment**	**Loans and advances to customers (after allowance for impairment)**	**Allowance for impairment to loans and advances to customers, %**
Loans and advances to legal entities				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	157 600 550	(8 534 653)	149 065 897	5.42
Watch list loans not past due	9 658 626	(744 660)	8 913 966	7.71
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	11 892 926	(3 147 115)	8 745 811	26.46
Overdue:				
- less than 5 calendar days	30 628	(1 847)	28 781	6.03
- 31 to 60 calendar days	154 685	(9 679)	145 006	6.26
- 91 to 180 calendar days	328 517	(65 305)	263 212	19.88
- 181 to 365 calendar days	1 608 734	(980 228)	628 506	60.93
- more than 365 calendar days	4 448 976	(2 249 254)	2 199 722	50.56
Uncollectible loans	2 470 223	(2 470 223)	-	100.00
Total loans and advances to legal entities	**188 193 865**	**(18 202 964)**	**169 990 901**	**9.67**
Loans and advances to individuals				
- mortgage loans	7 700 090	(447 992)	7 252 098	5.82
- car loans	687 179	(111 090)	576 089	16.17
- consumer loans to VIP clients	4 135 360	(562 750)	3 572 610	13.61
- other loans to individuals	1 537 787	(111 146)	1 426 641	7.23
Total loans and advances to individuals	**14 060 416**	**(1 232 978)**	**12 827 438**	**8.77**
Total loans and advances to customers	**202 254 281**	**(19 435 942)**	**182 818 339**	**9.61**

10 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	7 222 934	605 482	3 540 740	1 458 746	12 827 902
Overdue:					
- less than 5 calendar days	9 602	81	-	19 867	29 550
- 6 to 30 calendar days	29 949	2 252	-	1 442	33 643
- 31 to 60 calendar days	18 678	795	-	1 546	21 019
- 61 to 90 calendar days	65 517	2 046	-	919	68 482
- 91 to 180 calendar days	39 842	5 743	5 422	1 669	52 676
- 181 to 365 calendar days	72 494	8 929	94 983	15 882	192 288
- more than 365 calendar days	241 074	61 851	494 215	37 716	834 856
Total loans and advances to individuals (before allowance for impairment)	**7 700 090**	**687 179**	**4 135 360**	**1 537 787**	**14 060 416**
Allowance for impairment	**(447 992)**	**(111 090)**	**(562 750)**	**(111 146)**	**(1 232 978)**
Total loans and advances to individuals (after allowance for impairment)	**7 252 098**	**576 089**	**3 572 610**	**1 426 641**	**12 827 438**

The Bank estimates loan impairment for individually assessed loans to legal entities, for which specific indications of impairment have been identified, based on an analysis of the expected future cash flows for impaired loans based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows is real estate and land. Valuations for real estate are discounted by 30 - 50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment are identified, in determining the impairment allowance the Bank adjusts historic loss rates to factor in the deterioration/improvement of the loan portfolio, as evidenced by the rate of increase/decrease in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management’s estimate of the losses in the portfolio as at 30 June 2011 and 31 December 2010.

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

During the six-month period ended 30 June 2011 the Bank renegotiated commercial loans that would otherwise be past due or impaired of RR 6 740 286 thousand (31 December 2010: RR 9 255 852 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. This category includes loans, the terms of agreement of which have been changed, but the analysis of the financial and economic activities and other information shows that there are no further negative tendencies that can influence the borrowers’ ability to repay the loan in full. This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement.

Moreover during the six-month period ended 30 June 2011 the Bank renegotiated commercial loans that are currently impaired (there were individual signs of impairment identified for these loans) of RR 10 023 634 thousand (31 December 2010: RR 6 791 588 thousand). This amount does not include those loans for which prolongation was included in the initial conditions of credit agreement.

10 Loans and Advances to Customers (continued)

Loans and advances to customers are classified as “Standard loans not past due” when they do not have any overdue payments as at reporting date and management does not have any information indicating that the borrower is not able to repay the loan in full and in time.

Loans and advances to customers are classified as “Watch list loans not past due” when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including external environment, indicates the stable position of the borrower, however there are some negative factors that may have an impact on the ability of the borrower to repay its loan in the future on a timely basis.

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

Currency and maturity analyses of loans and advances to customers are disclosed in note 22. Information on related party balances is disclosed in note 24.

11 Investment Securities Available-for-Sale

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Corporate shares	3 768 107	280 491
Total investment securities available-for-sale	**3 768 107**	**280 491**

Corporate shares are shares of Russian companies.

Investment securities available-for-sale include securities carried at cost. The fair value of these investment securities can not be reliably estimated since they are neither listed on the market nor traded. Management believes that the difference between the fair value and carrying value of securities available-for-sale is not material. The Group will sell these securities in case of favorable market movements.

Currency and maturity analyses of investment securities available-for-sale are disclosed in note 22.

12 Investment Securities Held-to-Maturity

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Corporate bonds	188 632	188 665
Allowance for impairment	(19 027)	(19 027)
Total investment securities held-to-maturity	**169 605**	**169 638**

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

12 Investment Securities Held-to-Maturity (continued)

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

(In thousands of Russian Roubles)	30 June 2011	31 December 2010
Carrying value as at the beginning of the reporting period	**188 665**	**200 458**
Redemption of securities	-	(11 858)
Accrued interest income	8 103	16 337
Interest received	(8 136)	(16 272)
Carrying value as at the end of the reporting period	**188 632**	**188 665**

Analysis of movements in the allowance for impairment of investment securities held-to-maturity during the six-month period ended 30 June 2011 and six-month period ended 30 June 2010 is as follows:

(In thousands of Russian Roubles)	30 June 2011	30 June 2010
Allowance for impairment at 1 January	**19 027**	**19 550**
Recoveries	-	(524)
Allowance for impairment at 30 June	**19 027**	**19 026**

The Group analyses and monitors impairment indicators in respect of these securities and where necessary an allowance for impairment is created. The Group holds overdue investment securities held-to-maturity of one issuer.

Analysis by credit quality of debt investment securities held-to-maturity as at 30 June 2011 is as follows:

(In thousands of Russian Roubles)	Corporate bonds
Not past due or impaired debt securities	
- Group B	136 363
Debt securities individually characterised as impaired	
- Overdue more than 365 calendar days	52 269
Total debt investment securities held-to-maturity before allowance for impairment	**188 632**

Analysis by credit quality of debt investment securities held-to-maturity as at 31 December 2010 is as follows:

(In thousands of Russian Roubles)	Corporate bonds
Not past due or impaired debt securities	
- Group B	136 396
Debt securities individually characterised as impaired	
- Overdue more than 365 calendar days	52 269
Total debt investment securities held-to-maturity before allowance for impairment	**188 665**

For definition of Group B see note 7.

Currency and maturity analyses of investment securities held-to-maturity are disclosed in note 22.

13 Customer Accounts

(In thousands of Russian Roubles)	30 June 2011	31 December 2010
State and public organisations		
- Current/settlement accounts	775 272	1 698 396
- Term deposits	11 542 460	-
Other legal entities		
- Current/settlement accounts	45 525 597	43 019 597
- Term deposits	68 164 565	74 237 328
- Sale and repurchase agreements	1 324 855	426 735
Individuals		
- Current/settlement accounts	15 357 269	14 086 230
- Term deposits	59 252 118	58 339 390
Total customer accounts	**201 942 136**	**191 807 676**

State and public organizations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

	30 June 2011		31 December 2010	
(In thousands of Russian Roubles)	Amount	%	Amount	%
Individuals	74 609 387	36.9	72 425 620	37.8
Financial services	43 146 874	21.4	38 088 760	19.9
Construction	14 955 085	7.4	17 867 846	9.3
Production	14 206 596	7.0	15 063 676	7.9
Trade	12 917 135	6.4	14 679 943	7.7
Cities and municipalities	12 494 035	6.2	1 648 882	0.9
Real estate	9 539 658	4.7	9 528 065	5.0
Transport	6 952 146	3.4	6 782 193	3.5
Art, science and education	5 406 810	2.7	6 911 062	3.6
Public utilities	2 713 483	1.3	3 474 745	1.8
Medical institutions	453 785	0.2	812 839	0.4
Energy	584 059	0.3	706 108	0.4
Communications	230 039	0.1	202 596	0.1
Other	3 733 044	2.0	3 615 341	1.7
Total customer accounts	**201 942 136**	**100.0**	**191 807 676**	**100.0**

As at 30 June 2011, included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 1 290 180 thousand (31 December 2010: RR 222 708 thousand). Sale and repurchase agreements in amount of RR 768 964 thousand are secured by corporate shares with a fair value of RR 770 511 thousand, corporate bonds with a fair value of RR 74 471 thousand, and municipal bonds with a fair value of RR 23 733 thousand (31 December 2010: corporate bonds with a fair value of RR 96 044 thousand and corporate shares with a fair value of RR 158 312 thousand). The rest of the agreements in amount of RR 521 216 thousand are secured by reverse sale and repurchase agreements. Refer to note 8.

As at 30 June 2011, included in customer accounts are deposits in the amount of RR 3 006 653 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2010: RR 2 842 721 thousand).

Currency and maturity analyses of customer accounts are disclosed in note 22. The information on related party balances is disclosed in note 24.

14 Bonds Issued

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Bonds	13 144 546	13 140 130
Subordinated Eurobonds	2 894 475	3 141 864
Total bonds issued	**16 039 021**	**16 281 994**

On 16 December 2010 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 3 000 000 items. These bonds have a maturity of 1 092 days, coupon period of 182 days, and the placement rate is set for four coupon periods. As at 30 June 2011 the carrying value of these bonds is RR 3 002 156 thousand with a coupon rate of 8.5% p.a. (31 December 2010: the carrying value of these bonds was RR 3 002 752 thousand with a coupon rate of 8.5% p.a.).

On 27 September 2010 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. These bonds have a maturity of 1 092 days, coupon period of 182 days, and the placement rate is set for three coupon periods. As at 30 June 2011 the carrying value of these bonds is RR 5 079 949 thousand with a coupon rate of 7.5% p.a. (31 December 2010: the carrying value of these bonds was RR 5 078 837 thousand with a coupon rate of 7.5% p.a.).

On 13 April 2010 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000; the bonds were placed at nominal value) in the amount of 5 000 000 items. These bonds have a maturity of 1 092 days, coupon period of 182 days, and the placement rate is set for three coupon periods. As at 30 June 2011 the carrying value of these bonds is RR 5 062 441 thousand with a coupon rate of 8.1% p.a. (31 December 2010: the carrying value of these bonds is RR 5 058 541 thousand with a coupon rate of 8.1% p.a.).

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 30 June 2011 the carrying value of these bonds is USD 103 095 thousand, the equivalent of RR 2 894 475 thousand (31 December 2010: USD 103 090 thousand, the equivalent of RR 3 141 864 thousand). These subordinated Eurobonds have a maturity of 25 July 2017 with an early redemption option at nominal value on 25 July 2012, nominal coupon rate is 10.5% p.a. and effective interest rate is 11.2% p.a.

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

Currency and maturity and interest rate analyses of bonds issued are disclosed in note 22.

15 Other Borrowed Funds

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Subordinated loans	5 152 913	5 340 358
Syndicated loans	2 242 866	2 416 993
EBRD	1 900 728	2 155 308
VTB Bank	1 137 829	1 260 327
KFW IPEX-Bank Gmbh	561 946	762 614
Nordic Investment Bank	457 111	581 540
Eurasian Development Bank	279 347	304 586
Amsterdam Trade Bank N.V.	278 298	299 382
Total other borrowed funds	**12 011 038**	**13 121 108**

In August 2009 the Group attracted a subordinated loan from Vnesheconombank ("VEB") in the amount of RR 1 466 000 thousand with interest rate of 8.0% p.a. and maturity in 2014. In August 2010 the interest rate was decreased to 6.5% p.a. As at 30 June 2011 the carrying value of this loan was RR 1 465 762 thousand (31 December 2010: RR 1 465 504 thousand).

In June 2009 the Group attracted a subordinated loan in the amount of USD 75 000 thousand arranged by the European Bank for Reconstruction and Development ("EBRD"). The loan is granted for the period of 10 years and 6 months, with repayment in 2020. The interest rate during the first five years is 13.4% p.a. As at 30 June 2011, the carrying value of this loan is USD 78 550 thousand, the equivalent of RR 2 205 352 thousand (31 December 2010: USD 78 585 thousand, the equivalent of RR 2 395 032 thousand).

In December 2008, the Group attracted a subordinated loan in the amount of EUR 36 690 thousand with maturity in December 2014. As at 30 June 2011, the carrying value of this subordinated loan is EUR 36 690 thousand, the equivalent of RR 1 481 799 thousand (31 December 2010: EUR 36 690 thousand, the equivalent of RR 1 479 822 thousand). The subordinated loan has a fixed interest rate of 14.5% p.a.

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

On 26 June 2008 the Group attracted a syndicated loan in the amount of USD 100 000 thousand arranged by the EBRD in 2 tranches. The first tranche of USD 25 000 thousand has a maturity date of 23 June 2012 and interest rate of LIBOR + 3.45% p.a. The second tranche of USD 75 000 thousand was repaid on 23 December 2009 and the interest rate was LIBOR + 2.75% p.a. The participants of this syndicated loan are 14 non-resident banks. As at 30 June 2011 the carrying value of this loan is USD 24 930 thousand, the equivalent of RR 699 937 thousand (31 December 2010: USD 24 896 thousand, the equivalent of RR 758 749 thousand). The interest rate on the first tranche of this loan is 3.845% p.a. as at 30 June 2011.

In August 2010 the Group attracted a syndicated loan in the amount of USD 55 000 thousand from a group of banks to finance trade contracts of the Group's clients. This loan was arranged by Commerzbank Aktiengesellschaft and VTB Bank (Deutschland) AG. The loan matures in August 2011, the interest rate is LIBOR + 2.8% p.a. As at 30 June 2011 the carrying value of this loan is USD 54 956 thousand, the equivalent of RR 1 542 929 thousand (31 December 2010: USD 54 410 thousand, the equivalent of RR 1 658 244 thousand). As at 30 June 2011, the interest rate is 3.06% p.a.

15 Other Borrowed Funds (continued)

On 25 October 2006, 26 February 2007 and 27 June 2007 the Group attracted three tranches of a loan provided by the EBRD in the amount of USD 10 000 thousand each, which according to schedule shall be repaid before November 2011. This loan was issued for the purposes of funding small and medium businesses. Starting from November 2008 the Group started scheduled repayment of the loan and as at 30 June 2011 USD 28 000 thousand of principal amount was repaid. As at 30 June 2011 the carrying amount of this loan is USD 2 011 thousand, the equivalent of RR 56 444 thousand (31 December 2010: USD 6 032 thousand, the equivalent of RR 183 835 thousand). The interest rate on the loan is LIBOR + 2.8% p.a. As at 30 June 2011, the interest rate on the loan is 3.2% p.a.

On 14 December 2010 the Group attracted a loan from the EBRD in the amount of USD 65 000 thousand, which according to schedule shall be repaid before March 2014. This loan was issued for the purposes of funding small and medium businesses. The interest rate on the loan is 5.55% p.a. As at 30 June 2011 the carrying value of this loan is USD 65 689 thousand, the equivalent of RR 1 844 284 thousand (31 December 2010: USD 64 687 thousand, the equivalent of RR 1 971 473 thousand).

On 21 January 2010 the Group attracted a loan from VTB Bank (France) in the amount of USD 20 000 thousand to finance trade contracts of the Group’s clients. The loan with the interest rate of LIBOR + 6% p.a. was repaid on 24 January 2011 (December 2010: USD 21 135 thousand, the equivalent of RR 649 610 thousand).

On 15 December 2010 the Group attracted a loan from VTB Bank (Deutschland) AG to finance trade contracts of the Group’s clients in the amount of USD 20 000 thousand and interest rate of LIBOR + 4.25% p.a. maturing on 16 January 2013. As at 30 June 2011 the carrying value of this loan is USD 20 193 thousand, the equivalent of RR 566 932 thousand (31 December 2010: USD 20 039 thousand, the equivalent of RR 610 717 thousand). As at 30 June 2011 the interest rate is 5.046% p.a.

On 15 February 2011 the Group attracted a loan from VTB Bank France to finance trade contracts of the Group’s clients in the amount of USD 20 000 thousand and interest rate of LIBOR + 4.25% p.a. maturing on 20 February 2013. As at 30 June 2011 the carrying value of this loan is USD 20 334 thousand, the equivalent of RR 570 897 thousand. As at 30 June 2011 the interest rate is 4.7155% p.a.

On 16 July 2008 the Group attracted a loan from KFW IPEX-Bank Gmbh in the amount of USD 35 000 thousand with maturity in June 2013. The interest rate on this loan is LIBOR + 6.12% and is fixed at 9.987% p.a. for the whole loan period. The Group started the scheduled redemption and as at 30 June 2011 USD 15 000 thousand of the principal debt was redeemed. As at 30 June 2011 the carrying value of this loan is USD 20 015 thousand, the equivalent of RR 561 946 thousand (31 December 2010: USD 25 023 thousand, the equivalent of RR 762 614 thousand).

On 6 September 2007 and 20 November 2007 the Group attracted four tranches of a credit facility provided by Nordic Investment Bank. The Group used the amount to fund certain projects. The Group started the scheduled redemption of the loan and as at 30 June 2011 USD 11 069 thousand of the principal debt was redeemed. As at 30 June 2011 the carrying value of this loan is USD 16 281 thousand, the equivalent of RR 457 111 thousand (31 December 2010: USD 19 081 thousand, the equivalent of RR 581 540 thousand). The loan maturity date of this credit facility is on 3 October 2015. The interest rate on the loan ranges from LIBOR + 2.6% p.a. to LIBOR + 2.95% p.a., depending on maturity dates of the tranches. As at 30 June 2011 the interest rate on the loan was from 3.1% to 3.4% p.a.

On 23 December 2010 the Group attracted a loan from the Eurasian Development Bank (EDB) in the amount of USD 10 000 thousand to finance trade contracts of the Group’s clients. The maturity of the loan is on 23 December 2011. The loan has an interest rate of 4.75% p.a. As at 30 June 2011 the carrying value of this loan is USD 9 950 thousand, the equivalent of RR 279 347 thousand (31 December 2010: USD 9 994 thousand, the equivalent of RR 304 586 thousand).

15 Other Borrowed Funds (continued)

On 17 December 2010 the Group attracted a loan from Amsterdam Trade Bank N.V. to finance trade contracts of the Group's clients in the amount of USD 10 000 thousand and interest rate of LIBOR + 2.8% p.a. maturing on 16 December 2011. As at 30 June 2011 the carrying value of this loan is USD 9 912 thousand, the equivalent of RR 278 298 thousand (31 December 2010: USD 9 823 thousand, the equivalent of RR 299 382 thousand). As at 30 June 2011 the interest rate is 3.046% p.a.

The Group shall observe certain covenants attached to syndicated loans, subordinated loans and funds from EBRD, KFW IPEX-Bank Gmbh, Nordic Investment Bank, EDB, VTB Bank (Deutschland) AG, VTB Bank (France). Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default (except for subordinated loans). As at 30 June 2011 and 31 December 2010, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 22. The information on related party balances is disclosed in note 24.

16 Share Capital

As at 30 June 2011 the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 367 461 thousand (31 December 2010: RR 367 461 thousand). As at 30 June 2011, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (31 December 2010: RR 1 per share). Each share carries one vote.

As at 30 June 2011, the Group has two types of preference shares:

- preference shares with a nominal value of RR 1 (one) in the amount of 20 100 000 (twenty million one hundred thousand)

- type A preference shares with a nominal value of RR 1 (one) in the amount of 65 211 000 (sixty five million two hundred eleven thousand).

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

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

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

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

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

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

17 Other Comprehensive Income (Loss) Recognized in Equity

The analysis of other comprehensive income by separate items of each component of equity is as follows:

(In thousands of Russian Roubles)	**Revaluation reserve for investment securities available-for-sale**	**Total comprehensive (loss) income**
Six-month period ended 30 June 2010		
Loss from revaluation of investment securities available-for-sale	(6 652)	**(6 652)**
Deferred income tax recognised directly in other comprehensive income	1 330	**1 330**
Total other comprehensive loss	**(5 322)**	**(5 322)**
Six-month period ended 30 June 2011		
Gain from revaluation of investment securities available-for-sale	3 392	**3 392**
Deferred income tax recognised directly in other comprehensive income	(679)	**(679)**
Total other comprehensive income	**2 713**	**2 713**

18 Interest Income and Expense

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2011**	**Six-month period ended 30 June 2010**
Interest income		
Loans and advances to customers	10 806 412	10 990 652
Trading securities	1 594 022	1 368 829
Amounts receivable under reverse repurchase agreements	104 154	99 418
Loans to banks	86 754	116 153
Correspondent accounts with banks	10 939	23 838
Investment securities held-to-maturity	10 122	10 745
Total interest income	**12 612 403**	**12 609 635**
Interest expense		
Term deposits of legal entities	2 249 065	2 772 014
Term deposits of individuals	1 824 175	2 382 181
Bonds issued	672 024	249 078
Other borrowed funds	482 581	477 642
Other debt securities in issue	287 644	251 928
Due to banks	241 881	327 491
Current/settlement accounts	67 222	71 066
Total interest expense	**5 824 592**	**6 531 400**
Net interest income	**6 787 811**	**6 078 235**

19 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the period less treasury stock.

The Group has potentially dilutive type A preference shares. Refer to note 16.

Basic earnings per share are calculated as follows:

(In thousands of Russian Roubles)	Six-month period ended 30 June 2011	Six-month period ended 30 June 2010
Profit attributable to shareholders	4 495 460	1 127 066
Less preference dividends	(762 571)	(797 918)
Profit attributable to ordinary shareholders of the Bank	**3 732 889**	**329 148**
Weighted average number of ordinary shares in issue (thousands)	282 150	282 150
Basic earnings per share (expressed in RR per share)	**13.23**	**1.17**

Diluted earnings per share are calculated as follows:

(In thousands of Russian Roubles)	Six-month period ended 30 June 2011	Six-month period ended 30 June 2010
Profit attributable to shareholders	4 495 460	1 127 066
Less preference dividends	(2 211)	(797 918)
Profit attributable to ordinary shareholders of the Bank	**4 493 249**	**329 148**
Average weighted diluted number of shares (thousands)	347 361	282 150
Diluted earnings per share (expressed in RR per share)	**12.94**	**1.17**

Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share.

20 Dividends

	Six-month period ended 30 June 2011			Six-month period ended 30 June 2010		
(In thousands of Russian Roubles)	Ordinary shares	Type A preference shares	Preference shares	Ordinary shares	Type A preference shares	Preference shares
Dividends payable as at 1 January	**4 149**	**-**	**-**	**3 524**	**-**	**-**
Dividends declared during the period	31 037	760 360	2 211	31 037	795 707	2 211
Dividends paid during the period	(30 459)	(760 360)	(2 211)	(29 823)	(795 707)	(2 211)
Dividends payable as at 30 June	**4 727**	**-**	**-**	**4 738**	**-**	**-**
Dividends per share declared during the year (expressed in RR per share)	**0.11**	**11.66**	**0.11**	**0.11**	**12.20**	**0.11**

All dividends were declared and paid in Russian Roubles.

21 Segment Analysis

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

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

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

- Corporate banking – settlement and current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – private banking services, private customer current accounts, deposits, retail investment products, custody, credit and debit cards, consumer loans, mortgages and other loans to individuals VIP clients.

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

Factors used by the management to define reporting segments

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

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

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

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

(ii) differences in the classification of securities to portfolios

(iii) income tax is not distributed to segments

(iv) provision for loan impairment is recognized based on Russian legislation, and not on the basis of the model of “incurred losses” specified in IAS 39

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

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

21 Segment Analysis (continued)

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

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

Segment information for the main reporting business segments for the six-month period ended 30 June 2011 and the six-month period ended 30 June 2010 is set out below (in accordance with the management information).

(In thousands of Russian Roubles)	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Eliminations**	**Total**
Six-month period ended 30 June 2011						
External revenues	10 086 890	1 811 254	1 254 257	-	-	**13 152 401**
Revenues from other segments	3 461 948	9 831 092	2 205 805		(15 498 845)	**-**
Total revenues	**13 548 838**	**11 642 346**	**3 460 062**	**-**	**(15 498 845)**	**13 152 401**
Total revenues comprise:						
- Interest income	12 707 814	11 622 581	3 078 008	-	(15 498 845)	**11 909 558**
- Fee and commission income	736 333	9 186	378 372	-	-	**1 123 891**
- Other operating income	104 691	10 579	3 682	-	-	**118 952**
Segment results	**1 361 810**	**5 035 588**	**292 826**	**-**	**-**	**6 690 224**
Unallocated costs	-	-	-	(2 209 820)	-	**(2 209 820)**
Profit before tax	1 361 810	5 035 588	292 826	(2 209 820)	-	**4 480 404**
Income tax expense	-	-	-	(708 619)	-	**(708 619)**
Profit (loss)	1 361 810	5 035 588	292 826	(2 918 439)	-	**3 771 785**
As at 30 June 2011						
Segment assets	**180 263 997**	**68 106 405**	**18 724 202**	**43 306 747**	-	**310 401 351**
Other segment items						
Depreciation and amortization charge	(36 953)	(8 657)	(27 417)	(81 705)	-	**(154 732)**
Recovery of provision (provision) for loan impairment	181 334	4 320	(33 016)	-	-	**152 638**

21 Segment Analysis (continued)

(In thousands of Russian Roubles)	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
Six-month period ended 30 June 2010						
External revenues	10 637 650	1 910 244	982 447	-	-	**13 530 341**
Revenues from other segments	4 447 045	10 766 324	2 717 658	-	(17 931 027)	**-**
Total revenues	**15 084 695**	**12 676 568**	**3 700 105**	**-**	**(17 931 027)**	**13 530 341**
Total revenues comprise:						
- Interest income	14 439 193	12 608 867	3 407 258	-	(17 931 027)	12 524 291
- Fee and commission income	619 625	9 825	290 389	-	-	919 839
- Other operating income	25 877	57 876	2 458	-	-	86 211
Segment results	**(2 649 832)**	**4 991 566**	**(197 249)**	**-**	**-**	**2 144 485**
Unallocated costs	-	-	-	(1 387 425)	-	(1 387 425)
Profit before tax	**(2 649 832)**	**4 991 566**	**(197 249)**	**(1 387 425)**	**-**	**757 060**
Income tax expense	-	-	-	(348 263)	-	(348 263)
(Loss) profit	**(2 649 832)**	**4 991 566**	**(197 249)**	**(1 735 688)**	**-**	**408 797**
As at 31 December 2010						
Segment assets	**167 089 040**	**69 561 524**	**19 292 152**	**35 178 176**	**-**	**291 120 892**
Other segment items						
Depreciation and amortisation charge	(35 722)	(6 091)	(26 692)	(65 653)	-	(134 158)
(Provision) recovery of provision for loan impairment	(4 314 240)	1 482	(207 356)	-	-	(4 520 114)

A reconciliation of segment information with assets in accordance with IFRS as at 30 June 2011 and 31 December 2010 is set out below:

(In thousands of Russian Roubles)	30 June 2011	31 December 2010
Total assets for the reporting segments	**310 401 351**	**291 120 892**
Adjustment of allowance for impairment	(19 856 183)	(19 669 334)
Adjustments of income/expense accruals	668 878	211 391
Premises, equipment, intangible assets and investment property depreciation, amortisation and fair value adjustment	(919 305)	(737 896)
Fair value and amortized cost adjustments	1 299 306	435 371
Income tax adjustments	223 453	219 616
Elimination of assets additionally recognised in management accounting	(711 101)	(192 310)
Other adjustments	949 641	1 220 969
Total assets in accordance with IFRS	**292 056 040**	**272 608 699**

21 Segment Analysis (continued)

A reconciliation of segment information with profit before tax in accordance with IFRS for the six-month period ended 30 June 2011 and for the six-month period ended 30 June 2010:

(In thousands of Russian Roubles)	Six-month period ended 30 June 2011	Six-month period ended 30 June 2010
Total profit for the reporting segments (before tax)	**4 480 404**	**757 060**
Adjustment of provision for loan impairment	804 634	960 924
Adjustments of income/expense accruals	(326 692)	(158 976)
Premises, equipment, intangible assets and investment property depreciation, amortisation and fair value adjustment	(35 847)	(22 022)
Fair value and amortized cost adjustments	729 932	133 795
Other adjustments	(119 241)	(107 922)
Total profit in accordance with IFRS (before tax)	**5 533 190**	**1 562 859**

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

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

22 Financial Risk Management

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

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

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

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

At the end of 2010 a new development strategy for the following three years was finalised according to which the Bank plans to improve the quality of the business processes and improve the efficiency of client servicing by means of more precise segmentation. The new governance model constitutes an important part of the strategy. In December 2010 changes in the Bank’s organisational structure were initialized. These changes concern reorganisation of the functions of the financial risk management departments. In the first half 2011 the Bank implemented a corporate borrowers internal rating system and scoring system of retail loans issued to individuals without collateral. These systems make individual pricing for loan products possible taking into account credit risk of the borrower.

22 Financial Risk Management (continued)

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board establishes benchmarks which determine the Bank’s risk limits (in particular, the maximum amount of concentration of assets by industry, etc.). The Supervisory Board reviews on a monthly basis the reports submitted by management on implementation of the development plan together with the report on implementation of business indicators of the corporate plan for the current year. The Audit Committee attached to the Supervisory Board evaluates the efficiency of and prepares proposals to improve actual internal control procedures and risk management procedures based on the analysis of reports submitted by Internal Control Department and Banking Risks Department. The Supervisory Board approves the Risk Management Policy, the compliance with which is supervised by reviews and approvals of quarterly risk management reports. Quarterly reports are prepared by the Banking Risks Department and contain a description of the risk position, both at the consolidated level and exposure to specific risks, as well as suggestions concerning further development of the financial risk management system.

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

The Asset and Liability Management Committee (the “ALMC”) is responsible for day-to-day financial risk management (except for credit risk). The Asset and Liability Management Committee holds weekly meetings.

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

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

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

The Management Board, Large Credit Committee, Corporate and Retail Credit Committee, and Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy annually (a document containing guidelines on principles and procedures of credit risk management in the Bank and determining authority of the Bank’s Large Credit Committee, Corporate and Retail Credit Committee, and Small Credit Committees). The Large Credit Committee adopts resolutions on credit risk-related transactions of the largest corporate customers. Corporate and Retail Credit Committee and Small Credit Committees of the branches adopt resolutions on credit risk-related transactions of the corporate and retail customers.

Current management of credit risk is mostly performed by its specialized subdivision, the Credit Division (from December 2010 – Credit Risk Division), exercising operational control over credit risk levels.

The management of the bad debts is separate from the business subdivision of the Bank – Division on Security and Settlement of Debts.

22 Financial Risk Management (continued)

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

The Group considers credit risk to include both assets exposed to credit risk and all financial assets recognized in the condensed consolidated interim statement of financial position except for assets deposited in the CBRF.

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

Risk management tools

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

For separate borrowers:

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

For the loan portfolio in general:

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

For Credit Committees:

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

22 Financial Risk Management (continued)

Reporting forms

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

Daily reports which form the basis for management decisions and are submitted to the Credit Risk Department Director and the Deputy Chairman of the Management Board responsible for banking risks:

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

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

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

Decision to grant loans

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

Decisions on loans beyond the limits of authority of Small Credit Committees (preliminary approval of granting the loan with the Small Credit Committee is obligatory) is taken by the Corporate and Retail Committee if the client is not related to the largest corporate clients or by the Large Credit Committee if the client relates to the largest corporate clients. Decisions on loans beyond the limits of authority of the Large Credit Committee is taken by the Management Board (preliminary approval of granting the relevant loan with the Small Credit Committee and the Large Credit Committee is obligatory).

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

Limits for credit risk management purposes

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

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

22 Financial Risk Management (continued)

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

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

2. Overall loan portfolio limits.

- the cumulative credit risk exposure to a separate borrower or a group of related borrowers should not exceed 20% of capital (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I))
- the amount of loans and advances to borrowers related to the Bank should not exceed 20% of capital (estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- the cumulative amount of loans, bank guarantees and sureties provided to its shareholders (having the right to 5 and more percent of voting stock) should not exceed 10% of capital estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- the ratio of loans overdue more than 60 days and restructured loans less allowance for loan impairment should not exceed 25% of Bank's Tier I capital estimated in compliance with the recommendations provided by the Basel Committee on Banking Supervision (Basel I)
- the ratio of the maximum aggregate risk in the real estate and construction sector to the cumulative loan portfolio should be less than 23%
- the ratio of the maximum risk in any economic sector to the cumulative loan portfolio should not exceed 20%.

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

22 Financial Risk Management (continued)

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

In 2008-2009 the governing bodies of the Bank used a number of measures aimed to reduce exposure to credit risks of the Bank. The Credit policy in 2010 was rather conservative – first of all in the collateral policy, requirements to the clients within the scope of retail standard loan programs and the restriction of the authority of the Small Credit Committees of branch network for approval and change of terms of loan agreements.

Taking into account adherence of the Bank to conservative optimism in estimation of the macroeconomic situation and enhancement of the competition on the banking market in December 2010 changes to the Credit policy were adopted. These changes reduce the requirements for the loan collateral, increase the authority of the Small Credit Committees of branches and outlets for approval and change of terms of loan agreements. These measures are intended to decentralize the decision making process and to reduce the time to evaluate loan applications and enhance client service. Management believes that all the measures that allow liberalization of the Credit policy will not have an effect on the quality of the loan portfolio.

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

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

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

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

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

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

22 Financial Risk Management (continued)

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

Despite significant recovery of financial markets after the crisis of the end of 2008 and the beginning of 2009 the Bank followed its conservative policy in managing other price (equity) risk. The Bank maintains a small portfolio of quoted shares.

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

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

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

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

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

22 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 30 June 2011. The Group does not apply this currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	9 719 086	2 506 764	1 631 916	48 483	13 906 249
Mandatory cash balances with the Central Bank of the Russian Federation	2 905 109	-	-	-	2 905 109
Trading securities	29 336 696	5 269 809	-	-	34 606 505
Trading securities pledged under sale and repurchase agreements	11 678 090	-	-	-	11 678 090
Amounts receivable under reverse repurchase agreements	3 902 532	825 457	-	-	4 727 989
Loans to banks	1 664 895	1 792 429	141 355	-	3 598 679
Loans and advances to customers	158 394 981	28 526 753	11 424 995	-	198 346 729
Investment securities available-for-sale	1 204 961	2 563 146	-	-	3 768 107
Investment securities held-to-maturity	169 605	-	-	-	169 605
Other financial assets	799 334	833	1 108	-	801 275
Deferred income tax asset	223 453	-	-	-	223 453
Investment property	4 576 035	-	-	-	4 576 035
Premises, equipment and intangible assets	11 743 331	-	-	-	11 743 331
Other assets	996 588	2 391	5 905	-	1 004 884
Total assets	**237 314 696**	**41 487 582**	**13 205 279**	**48 483**	**292 056 040**
Liabilities					
Due to banks	15 991 362	21 400	2 030 502	-	18 043 264
Customer accounts	161 061 721	21 531 259	19 183 004	166 152	201 942 136
Bonds issued	13 144 546	2 894 475	-	-	16 039 021
Other debt securities in issue	7 300 848	2 161 473	824 342	-	10 286 663
Other borrowed funds	1 465 762	9 063 477	1 481 799	-	12 011 038
Other financial liabilities	518 399	55 694	79 042	-	653 135
Income tax liabilities	205 223	-	-	-	205 223
Other liabilities	590 024	16 760	-	-	606 784
Total liabilities	**200 277 885**	**35 744 538**	**23 598 689**	**166 152**	**259 787 264**
Deduct fair value of currency derivatives	(365 020)	-	-	-	(365 020)
Net recognised position, excluding currency derivatives	**36 671 791**	**5 743 044**	**(10 393 410)**	**(117 669)**	**31 903 756**
Currency derivatives	**(5 240 673)**	**(5 950 439)**	**11 403 479**	**152 653**	**365 020**
Net recognised position, including currency derivatives	**31 431 118**	**(207 395)**	**1 010 069**	**34 984**	**32 268 776**

22 Financial Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2010.

(In thousands of Russian Roubles)	RR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	9 579 345	1 502 276	2 044 312	54 251	13 180 184
Mandatory cash balances with the Central Bank of the Russian Federation	1 670 712	-	-	-	1 670 712
Trading securities	32 682 802	3 841 825	-	-	36 524 627
Trading securities pledged under sale and repurchase agreements	254 356	-	-	-	254 356
Amounts receivable under reverse repurchase agreements	8 423 538	-	-	-	8 423 538
Loans to banks	2 895 120	1 919 334	7 583 471	-	12 397 925
Loans and advances to customers	143 760 048	27 743 656	11 314 635	-	182 818 339
Investment securities available-for-sale	247 559	32 932	-	-	280 491
Investment securities held-to-maturity	169 638	-	-	-	169 638
Other financial assets	258 025	22 462	25 298	-	305 785
Deferred tax asset	219 616	-	-	-	219 616
Investment property	3 956 820	-	-	-	3 956 820
Property, equipment and intangible assets	11 762 753	-	-	-	11 762 753
Other assets	627 621	1 146	15 025	123	643 915
Total assets	**216 507 953**	**35 063 631**	**20 982 741**	**54 374**	**272 608 699**
Liabilities					
Due to banks	5 834 469	5 474 179	17 745	-	11 326 393
Customer accounts	147 644 995	22 082 590	21 926 059	154 032	191 807 676
Bonds issued	13 140 130	3 141 864	-	-	16 281 994
Other debt securities in issue	9 138 153	966 548	260 529	-	10 365 230
Other borrowed funds	1 465 504	10 175 782	1 479 822	-	13 121 108
Other financial liabilities	382 779	34 636	56 814	-	474 229
Income tax liabilities	136 223	-	-	-	136 223
Other liabilities	497 569	33 976	90	-	531 635
Total liabilities	**178 239 822**	**41 909 575**	**23 741 059**	**154 032**	**244 044 488**
Add fair value of currency derivatives	199 472	-	-	-	199 472
Net recognised position, excluding currency derivatives	**38 467 603**	**(6 845 944)**	**(2 758 318)**	**(99 658)**	**28 763 683**
Currency derivatives	**(8 642 445)**	**6 105 635**	**1 954 937**	**382 401**	**(199 472)**
Net recognised position, including currency derivatives	**29 825 158**	**(740 309)**	**(803 381)**	**282 743**	**28 564 211**

22 Financial Risk Management (continued)

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

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

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

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

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

The basis for managing short-term liquidity (less than 3 months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank. The length of the period of possible funds withdrawal, during which the Bank will have to provide continuous operations and possible decline of clients’ funds, are occasionally reviewed by the Asset and Liability Management Committee and the Management Board taking into consideration macroeconomic situation, possible risks significant for the Bank and sustainability of the client base.

Management applies the following main instruments for liquidity management:

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

- In certain cases management may impose restrictions on some transactions to regulate the statement of financial position structure. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity

- Raising long-term funds. During 2010 and 2009, the Group raised significant amounts on the global long-term debt and equity markets. Refer to notes 14 and 15.

22 Financial Risk Management (continued)

The liquidity management policy includes the following:

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

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

Short-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible clients’ funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

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

The following tables are based on the above principles and show distribution of assets and liabilities as at 30 June 2011 and 31 December 2010 by expected maturity periods. This table is prepared for management purposes on the basis of accounting data prepared under Russian Accounting Standards.

22 Financial Risk Management (continued)

As at 30 June 2011:

(In thousands of Russian Roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets	78 357 891	51 155 634	65 754 194	115 262 368	310 530 087
Liabilities and equity	79 966 326	81 040 428	52 596 407	96 926 926	310 530 087
Net liquidity gap	(1 608 435)	(29 884 794)	13 157 787	18 335 442	
Cumulative liquidity gap	(1 608 435)	(31 493 229)	(18 335 442)		

As at 31 December 2010:

(In thousands of Russian Roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets	71 698 722	40 344 148	56 039 713	123 143 307	291 225 890
Liabilities and equity	68 133 360	83 752 049	41 911 745	97 428 736	291 225 890
Net liquidity gap	3 565 362	(43 407 901)	14 127 968	25 714 571	
Cumulative liquidity gap	3 565 362	(39 842 539)	(25 714 571)	-	

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

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory equity and liabilities maturing after one year.

Based on daily calculations by the Treasury Department, during the six-month period ended 30 June 2011 and during 2010 the Bank complied with the liquidity ratios established by the CBRF.

22 Financial Risk Management (continued)

Below is the liquidity position using figures from the financial statements prepared in accordance with IFRS at 30 June 2011. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments at fair value through profit or loss, which are shown in the category "Demand and less than 1 month".

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	13 906 249	-	-	-	-	13 906 249
Mandatory cash balances with the Central Bank of the Russian Federation	2 905 109	-	-	-	-	2 905 109
Trading securities	34 606 505	-	-	-	-	34 606 505
Trading securities pledged under sale and repurchase agreements	11 678 090	-	-	-	-	11 678 090
Amounts receivable under reverse repurchase agreements	4 727 989	-	-	-	-	4 727 989
Loans to banks	533 276	1 798 131	708 342	558 930	-	3 598 679
Loans and advances to customers	15 020 147	44 882 908	55 480 147	74 098 720	8 864 807	198 346 729
Investment securities available-for-sale	-	-	-	-	3 768 107	3 768 107
Investment securities held-to-maturity	33 974	135 631	-	-	-	169 605
Other financial assets	262 802	391 341	147 132	-	-	801 275
Deferred income tax asset	-	-	-	223 453	-	223 453
Investment property	-	-	-	-	4 576 035	4 576 035
Premises, equipment and intangible assets	-	-	-	-	11 743 331	11 743 331
Other assets	394 492	274 767	50 138	181 921	103 566	1 004 884
Total assets	**84 068 633**	**47 482 778**	**56 385 759**	**75 063 024**	**29 055 846**	**292 056 040**
Liabilities						
Due to banks	14 894 542	64 958	3 083 764	-	-	18 043 264
Customer accounts	84 490 522	62 549 083	44 146 902	10 712 074	43 555	201 942 136
Bonds issued	-	-	-	13 144 546	2 894 475	16 039 021
Other debt securities in issue	451 103	5 681 121	2 337 179	1 817 260	-	10 286 663
Other borrowed funds	-	2 375 091	889 935	6 540 660	2 205 352	12 011 038
Other financial liabilities	123 483	337 405	130 316	57 347	4 584	653 135
Income tax liabilities	-	205 223	-	-	-	205 223
Other liabilities	145 012	429 934	31 838	-	-	606 784
Total liabilities	**100 104 662**	**71 642 815**	**50 619 934**	**32 271 887**	**5 147 966**	**259 787 264**
Net liquidity gap	**(16 036 029)**	**(24 160 037)**	**5 765 825**	**42 791 137**	**23 907 880**	**32 268 776**
Cumulative liquidity gap as at 30 June 2011	**(16 036 029)**	**(40 196 066)**	**(34 430 241)**	**8 360 896**	**32 268 776**	

22 Financial Risk Management (continued)

Below is the liquidity position using figures from the financial statements prepared in accordance with IFRS at 31 December 2010.

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	13 180 184	-	-	-	-	13 180 184
Mandatory cash balances with the Central Bank of the Russian Federation	1 670 712	-	-	-	-	1 670 712
Trading securities	36 524 627	-	-	-	-	36 524 627
Trading securities pledged under sale and repurchase agreements	254 356	-	-	-	-	254 356
Amounts receivable under reverse repurchase agreements	8 423 538	-	-	-	-	8 423 538
Loans to banks	11 573 852	501 537	156 619	165 917	-	12 397 925
Loans and advances to customers	3 308 649	30 999 971	50 454 324	88 819 708	9 235 687	182 818 339
Investment securities available-for-sale	-	-	-	-	280 491	280 491
Investment securities held-to-maturity	33 974	-	135 664	-	-	169 638
Other financial assets	175 145	99 316	31 324	-	-	305 785
Deferred income tax asset	-	-	-	219 616	-	219 616
Investment property	-	-	-	-	3 956 820	3 956 820
Premises, equipment and intangible assets	-	-	-	-	11 762 753	11 762 753
Other assets	194 236	180 968	30 137	111 192	127 382	643 915
Total assets	**75 339 273**	**31 781 792**	**50 808 068**	**89 316 433**	**25 363 133**	**272 608 699**
Liabilities						
Due to banks	10 986 238	275 023	65 132	-	-	11 326 393
Customer accounts	79 461 781	70 701 429	33 496 305	8 102 786	45 375	191 807 676
Bonds issued	-	-	-	13 140 130	3 141 864	16 281 994
Other debt securities in issue	1 023 371	6 126 244	2 781 533	434 082	-	10 365 230
Other borrowed funds	649 610	359 280	2 560 214	7 156 972	2 395 032	13 121 108
Other financial liabilities	176 968	112 800	121 016	58 638	4 807	474 229
Income tax liabilities	-	136 223	-	-	-	136 223
Other liabilities	264 574	265 648	1 413	-	-	531 635
Total liabilities	**92 562 542**	**77 976 647**	**39 025 613**	**28 892 608**	**5 587 078**	**244 044 488**
Net liquidity gap	**(17 223 269)**	**(46 194 855)**	**11 782 455**	**60 423 825**	**19 776 055**	**28 564 211**
Cumulative liquidity gap as at 31 December 2010	**(17 223 269)**	**(63 418 124)**	**(51 635 669)**	**8 788 156**	**28 564 211**	

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

23 Management of Capital

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

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital adequacy ratio") of at least 10%. Regulatory capital and capital adequacy is based on reports prepared under Russian statutory accounting standards and comprises:

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Total capital	35 449 236	34 459 224
Total regulatory capital adequacy ratio	12.1%	13.2%

Compliance with the capital adequacy ratio set by the CBRF is managed by Treasury Department through monitoring and forecasting of its components and monthly with reports containing its calculation reviewed and signed by the Deputy Chairman of the Management Board and acting Chief Accountant, as well as daily with calculations of the Treasury Department.

Management believes that during the six-month period ended 30 June 2011 and during 2010 the capital adequacy ratio was not below the minimum requirement based on daily calculations made by Planning and Financial Control Department.

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

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

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

(iii) According to the loan agreements with its creditors the Bank has a commitment to maintain the minimum total capital adequacy ratio of at least 10% depending on the contract, which is calculated under the requirements of Basel I (refer to note 15).

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

23 Management of Capital (continued)

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

(In thousands of Russian Roubles)	**30 June 2011**	**31 December 2010**
Capital	**39 137 140**	**35 868 303**
Tier 1	**30 273 702**	**26 571 850**
Paid-in share capital	3 629 541	3 629 541
Reserves and profit	26 644 161	22 942 309
Including:		
- Share premium	15 744 164	15 744 164
- Retained earnings	10 899 997	7 198 145
Tier 2	**8 863 438**	**9 296 453**
Revaluation reserve for premises	1 966 015	1 966 015
Revaluation reserve for investment securities available-for-sale	29 059	26 346
Subordinated loans	6 868 364	7 304 092
Risk weighted assets	**312 132 700**	**276 778 300**
Risk weighted statement of financial position	222 836 530	206 925 243
Risk weighted trading assets	55 711 225	42 980 688
Risk weighted unrecognized exposures	33 584 945	26 872 369
Total capital adequacy ratio	**12.54%**	**12.96%**
Total tier 1 capital adequacy ratio	**9.70%**	**9.60%**

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors of the Bank during the six-month period ended 30 June 2011 and during 2010.

The Group reconsidered target values for capital for 2011 in light of growing the loan portfolio. The Group believes that the majority of risks in the loan portfolio are reflected in the allowance and significant increase in the allowance is not expected. The Group believes that the available capital will allow compliance with all the capital requirements given the expected rate of loan portfolio growth and aggregate volume of risk assets.

Within the scope of realization of the strategic development plan in order to increase Tier 1 capital the Group decided to issue 24 000 000 ordinary shares at the value of RR 146.66 per share. On 7 June 2011 the Supervisory Board approved the increase in share capital. In case of placement of additionally issued shares in full, the equity of the Group will increase by about RR 3 500 000 thousand. The Group held negotiations with the EBRD on potential participation in the stock subscription. The principal controlling shareholders agreed not to exercise their preemptive right to purchase newly issued shares in order to enable EBRD to buy new shares in the course of the public offer. The Group intends to complete the stock placement in September 2011.

24 Related Party Transactions

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

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

As at 30 June 2011, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 5.2% – 22.5% p.a)	-	76 207	528 878
Allowance for impairment of loans and advances to customers	-	(1 889)	(27 733)
Customer accounts (contractual interest rates: 1.5% - 9.5% p.a.)	171 947	330 176	2 166 474
Other borrowed funds (contractual interest rate: 14.5% p.a.)	-	-	1 493 860

Other borrowed funds include subordinated loan. Refer to note 15.

The income and expense items with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2011 are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Interest income	2 263	5 249	22 930
Interest expense	(7 320)	(9 484)	(117 817)
Recovery of provision for impairment of loan portfolio	-	1 039	505
Fee and commission income	103	317	15 178

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2011 are:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Amounts lent to related parties during the period	260 053	21 171	40 863
Amounts repaid by related parties during the period	260 053	13 685	107 827

24 Related Party Transactions (continued)

As at 31 December 2010, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management**	**Other related parties**
Loans and advances to customers (contractual interest rates: 9.5% – 23.3% p.a.)	-	68 721	595 842
Allowance for impairment of loans and advances to customers	-	(2 928)	(28 238)
Customer accounts (contractual interest rates: 1.8% - 13.3% p.a.)	191 289	317 994	2 569 230
Other borrowed funds (contractual interest rates: 14.5% p.a.)	-	-	1 544 754

Other borrowed funds include subordinated debt. Refer to note 15.

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

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

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

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

For the six-month period ended 30 June 2011, total remuneration of members of the Supervisory Board and the Management Board, including pension contributions and discretionary bonuses, amounts to RR 54 178 thousand (6 months ended 30 June 2010: RR 32 040 thousand).

25 Consolidation of Special Purpose Entities

As at 30 June 2011 and 31 December 2010, the Group consolidated the special purpose entity BSPB Finance plc. This special purpose entity was established in 2006 to facilitate the Eurobonds issue.

As at 30 June 2011 and 31 December 2010, the Group exercised its control over the activity of the special purpose entity, as all financial and operational activities of this special purpose entity are conducted on behalf of the Group and according to Group’s specific business needs. The Group has rights to obtain the majority of the benefits of the special purpose entity and therefore was exposed to risks incident to its activities.

As at 30 June 2011 and 31 December 2010, the Group consolidated the close-ended real estate mutual investment fund “Nevskiy - Second Real Estate Fund” and close-ended real estate mutual investment fund “Nevskiy - Fourth Real Estate Fund”. These entities are meant for management of investment property projects.

26 Subsequent Events

On 8 July 2011 CBRF registered the issuance of ordinary inscribed shares in the amount of 24 000 000. See Note 23.

On 25 July 2011 the Group attracted a loan from VTB Bank (Deutschland) AG in the amount of USD 20 000 thousand to finance trading contracts of the Group’s clients. The interest rate is LIBOR + 3.5% p.a. The maturity date of the loan is 25 January 2013.

On 9 August 2011 the Group attracted a loan from VTB Bank (France) SA in the amount of USD 20 000 thousand to finance trading contracts of the Group’s clients. The interest rate is LIBOR + 3.95% p.a. The maturity date of the loan is 16 August 2013.