

Sovcombank Group

Interim condensed consolidated financial statements

for the six-month period ended 30 June 2012

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of Sovcombank LLC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank LLC and its subsidiaries (together the "Group") as at 30 June 2012, comprising of the interim condensed consolidated statement of financial position as at 30 June 2012 and the related interim condensed consolidated statements of comprehensive income for the six months then ended, interim condensed consolidated statements of changes in net assets attributable to participants and of cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

31 August 2012

**Interim condensed consolidated statement of comprehensive income
for the six-month period ended 30 June 2012**

		30 June 2012	30 June 2011
	Notes	RUR'000 (unaudited)	RUR'000 (unaudited)
Interest income		5,560,311	4,456,088
Interest expense		(2,282,809)	(1,608,662)
Net interest income		3,277,502	2,847,426
Allowances for loan impairment	4	(1,375,516)	(1,158,710)
Net interest income after allowances for loan impairment		1,901,986	1,688,716
Fee and commission income	5	2,915,832	1,833,698
Fee and commission expense		(73,735)	(99,261)
Net fee and commission income		2,842,097	1,734,437
Net gain on financial instruments at fair value through profit or loss		15,626	117,096
Net foreign exchange gain		52,917	23,595
Other impairment and provisions	6	(25,750)	(66,498)
Other operating income		56,660	35,375
Operating income		4,843,536	3,532,721
Personnel expenses	7	(1,272,827)	(941,212)
Other general administrative expenses	8	(1,484,175)	(819,301)
Income before taxes		2,086,534	1,772,208
Income tax expense	9	(435,000)	(379,225)
Income		1,651,534	1,392,983
Other comprehensive income, net of tax		—	—
Total comprehensive income		1,651,534	1,392,983

The notes to, and forming part of, the interim condensed consolidated financial statements as set out on pages 5 to 17 were approved by the Board of Directors on 31 August 2012.

Mr. Khotimsky S.V.
Chief Executive Officer

Mr. Savoschenko D.N.
Chief Financial Officer

Interim condensed consolidated statement of financial position
as of the 30 June 2012

	<i>Notes</i>	30 June 2012 <i>RUR'000</i> <i>(unaudited)</i>	31 December 2011 <i>RUR'000</i>
Assets			
Cash and cash equivalents	10	6,467,281	4,338,044
Mandatory cash balances with the Central Bank of the Russian Federation		637,022	523,088
Placements with banks		38,613	75,014
Financial instruments at fair value through profit or loss	11		
- Held by the Group		4,934,302	9,954,669
- Pledged under sale and repurchase agreements		8,525,310	4,392,817
Loans to customers	12	43,718,960	34,782,936
Investment in associates		5,880	5,880
Investment property		106,265	110,765
Property, equipment and intangible assets		2,481,930	2,094,734
Goodwill		450,587	450,587
Deferred tax asset		65,262	73,232
Other assets		559,548	509,778
Total assets		67,990,960	57,311,544
Liabilities			
Amounts due to the CBR	14	6,054,817	3,055,507
Deposits and balances from banks	15	559,081	1,242,465
Current accounts and deposits from customers	13	51,101,395	42,618,037
Promissory notes		1,059,951	1,647,496
Subordinated debt	16	1,381,445	868,567
Deferred tax liabilities		197,336	207,030
Other liabilities		650,280	498,957
Total liabilities		61,004,305	50,138,059
Net assets attributable to participants			
Charter capital	17	1,906,004	2,242,358
Other capital contributions		2,428,960	2,428,960
Revaluation reserve for buildings		14,570	14,570
Retained earnings		2,637,121	2,487,597
Total net assets attributable to participants		6,986,655	7,173,485
Total liabilities		67,990,960	57,311,544

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

Interim condensed consolidated statement of changes in net assets attributable to participants

for the six-month period ended 30 June 2012

	<i>Attributable to participants</i>				
	<i>Charter capital RUR'000</i>	<i>Other capital contributions RUR'000</i>	<i>Revaluation reserve for buildings RUR'000</i>	<i>Retained earnings RUR'000</i>	<i>Total net assets RUR'000</i>
Balance as at 1 January 2011	1,097,561	2,428,960	24,334	896,096	4,446,951
Total comprehensive income	–	–	–	1,392,983	1,392,983
Balance as at 30 June 2011 (unaudited)	1,097,561	2,428,960	24,334	2,289,079	5,839,934
Balance as at 1 January 2012	2,242,358	2,428,960	14,570	2,487,597	7,173,485
Total comprehensive income	–	–	–	1,651,534	1,651,534
Distributions to participants (note 17)	–	–	–	(876,746)	(876,746)
Extinguishment of participant's share (note 17)	(336,354)	–	–	(625,264)	(961,618)
Balance as at 30 June 2012	1,906,004	2,428,960	14,570	2,637,121	6,986,655

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

Interim condensed consolidated statement of cash flows
for the six-month period ended 30 June 2012

	30 June 2012	30 June 2011
	RUR'000	RUR'000
Notes	(unaudited)	(unaudited)
Cash flows from operating activities	4,410,484	3,321,094
Increase in operating assets	(10,752,135)	(6,981,073)
Increase/(decrease) in operating liabilities	10,734,800	1,065,816
Net cash provided from operating activities before taxes paid	4,393,149	(2,594,163)
Taxes paid	(349,803)	(362,823)
Cash flows from operating activities	4,043,346	(2,956,986)
Cash flows from investing activities	(534,992)	(268,585)
Cash flows from financing activities	(1,385,317)	(53,816)
Net increase in cash and cash equivalents	2,123,037	(3,279,387)
Effect of changes in exchange rates on cash and cash equivalents	6,200	(47,435)
Cash and cash equivalents at the beginning of the period	4,338,044	5,318,321
Cash and cash equivalents at the end of the period	6,467,281	1,991,499

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

1. Background

Principal activities

These interim condensed consolidated financial statements include the financial statements of Sovcombank (LLC) (the "Bank" or "Sovcombank") and its subsidiaries (together referred to as the "Group" or "Sovcombank Group"). A list of principal subsidiaries as of the Sovcombank Group is disclosed in Note 20.

Sovcombank, the parent company of the Group, was originally established in Kostroma as a limited liability company in 1990. The Bank operates under general banking licence № 963 issued by the Central Bank of the Russian Federation (the "CBR"). The Bank also has licenses for operations with securities and custody services issued by the Federal Securities Market Commission (the "FSMC") on 27 January 2009 and 10 February 2009. The Bank is a member of the state deposit insurance scheme in the Russian Federation.

The Group's principal business activity is retail and corporate banking operations within the Russian Federation. The Group is headquartered in Kostroma and has a network of branches in the Central, Ural, Siberian, South and Far East Federal Districts. The Group operates in 25 regions and more than 260 cities of the Russian Federation. The Group had more than 4,544 employees as at 30 June 2012 (31 December 2011: 3,916).

Shareholders

As at 30 June 2012 and 31 December 2011, the Group's ownership was as follows:

	Ownership % 30 June 2012	Ownership % 31 December 2011
TBIF Financial Services B.V.	0.0000%	50.0000%
SovCo Capital Partners B.V.	100.0000%	50.0000%

There is no single ultimate entity that exercises control over the Group as at 30 June 2012 and as at 31 December 2011 (note 17).

Sovco Capital Partners B.V. is the participant of the Group since 2003. Sovco Capital Partners B.V. is controlled by the group of Russian businessmen and entrepreneurs, including key members of Sovcombank management.

Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

2. Basis of preparation (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new Standards and Interpretations as of 1 January 2012, noted below:

Amendments to IFRS 7 Financial Instruments: Disclosures

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Amendments to IAS 12 Income Taxes – Deferred tax: Recovery of Underlying Assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. These amendments had no impact on the Group's financial position.

3. Significant accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of a subsidiary where ownership percentage is 50% or less.

Group controls subsidiaries through combination of direct ownership and by virtue of an agreement with other investors.

Estimation uncertainty

Significant accounting judgments and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for classification of certain loans to customers between loan products, noted below.

Changes in judgments

In 2012 the Group amended the applied methodology for classification of loans to customers between loan products. The new methodology for classification of loans is based on the definition of purpose of the loan.

There is no effect on overdue grouping due to changes in segmentation.

	30 June 2012		Effect on loan products		30 June 2012	
	Before applying new methodology				After applying new methodology	
	Gross loans	Impairment	Gross loans	Impairment	Gross loans	Impairment
	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000	RUR'000
Small and medium size companies	210,455	(14,086)	(210,455)	14,086	–	–
Mortgage loans	34,995	(1,438)	(34,995)	1,438	–	–
Car loans	1,210	(42)	(1,210)	42	–	–
Other loans to individuals	–	–	–	–	176,852	(14,822)
Corporate	–	–	–	–	69,808	(744)
Total	246,660	(15,566)	(246,660)	15 566	246 660	(15,566)

4. Allowances for loan impairment

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Loans to individuals (Note 12)	(1,346,446)	(792,777)
Loans to corporate entities and finance lease receivables (Note 12)	(29,070)	(365,933)
	(1,375,516)	(1,158,710)

5. Fee and commission income

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Insurance agencies fees	2,599,224	1,692,093
Plastic cards	212,485	43,949
Settlement operations	42,666	40,131
Cash withdrawal	16,728	14,528
Foreign exchange operations	16,216	12,260
Guarantee issuance	15,573	11,176
Security operations	7,727	13,204
Cash transfer	1,813	3,140
Other	3,400	3,217
	2,915,832	1,833,698

6. Other impairment and provisions

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Provision under litigation cases	(34,019)	(48,981)
Reversal of provision for foreclosed assets	5,681	-
Reversal/(charge) of provision for other assets	2,588	(17,517)
	(25,750)	(66,498)

7. Personnel expenses

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Employee compensation, including bonuses	(988,141)	(732,961)
Payroll related taxes	(284,686)	(208,251)
	(1,272,827)	(941,212)

8. Other general administrative expenses

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Advertising and marketing	(385,614)	(182,656)
Occupancy	(264,987)	(132,066)
Professional services	(122,943)	(71,123)
Depreciation and amortization	(116,197)	(93,432)
Office stationery	(98,945)	(33,702)
Communications and information services	(87,399)	(58,715)
Obligatory deposits insurance	(78,910)	(49,823)
Maintenance	(72,114)	(47,490)
Security	(61,407)	(45,559)
Transport	(43,907)	(22,018)
IT support	(34,407)	(21,803)
Taxes other than on income	(28,369)	(17,621)
Premises insurance	(16,945)	(5,542)
Other	(72,031)	(37,751)
	(1,484,175)	(819,301)

9. Income tax expense

	30 June 2012 RUR'000 (unaudited)	30 June 2011 RUR'000 (unaudited)
Current tax expense		
Current tax expense	(436,724)	(122,642)
	(436,724)	(122,642)
Deferred tax expense		
Origination and reversal of temporary differences	1,724	(256,583)
Total income tax expense	(435,000)	(379,225)

The applicable tax rate for current tax is 20%.

10. Cash and cash equivalents

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Cash on hand	2,312,223	2,703,387
Nostro accounts with OECD banks	1,873,290	204,359
Current accounts with CBRF	1,716,767	537,128
Short-term placements with banks	350,492	502,460
Nostro accounts with Russian banks	214,509	390,710
	6,467,281	4,338,044

11. Financial instruments at fair value through profit or loss

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Held by the Group		
Corporate bonds	4,290,317	8,095,332
Promissory notes	607,810	1,281,355
Government and municipal bonds	36,175	577,982
Total financial instruments at fair value through profit or loss held by the Group	4,934,302	9,954,669
Pledged under sale and repurchase agreements		
Corporate bonds	8,338,594	4,018,356
Government and municipal bonds	186,716	374,461
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	8,525,310	4,392,817
Total financial instruments at fair value through profit or loss	13,459,612	14,347,486

12. Loans to customers

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Loans to individuals		
Consumer loans	31,388,692	22,851,392
Credit cards	2,551,036	827,973
Mortgage loans	260,796	425,286
Car loans	7,049	23,518
Other	225,082	50,526
Total loans to individuals	34,432,655	24,178,695
Loans to corporate entities and finance lease receivables		
Corporate	9,683,269	9,763,253
Small and medium size companies	1,011,521	1,365,604
Finance lease receivables	989,972	882,544
Total loans to corporate entities and finance lease receivables	11,684,762	12,011,401
Gross loans to customers	46,117,417	36,190,096
Less: provision for loan impairment	(2,398,457)	(1,407,160)
Net loans to customers	43,718,960	34,782,936

Movements in the loan impairment provision for six-month periods ended 30 June 2012 and 30 June 2011 are as follows:

	Corporate	Small and medium size companies	Finance lease receivables	Consumer lending	Credit cards	Mortgage	Car	Other loans to individuals	Total
At 1 January 2012	(355,483)	(92,030)	(82,465)	(831,131)	(16,541)	(16,845)	(9,652)	(3,013)	(1,407,160)
Charge for the period	(14,868)	(13,973)	(229)	(1,155,041)	(177,517)	4,685	(3,751)	(14,822)	(1,375,516)
Recoveries	-	(26,425)	-	(81,853)	-	(9,118)	(4,810)	(980)	(123,186)
Loans written off as uncollectable	61,772	80,780	11,593	326,682	-	9,093	15,054	2,431	507,405
At 30 June 2012	(308,579)	(51,648)	(71,101)	(1,741,343)	(194,058)	(12,185)	(3,159)	(16,384)	(2,398,457)
	Corporate	Small and medium size companies	Finance lease receivables	Consumer lending	Credit cards	Mortgage	Car	Other loans to individuals	Total
At 1 January 2011	(167,083)	(311,525)	(82,603)	(649,002)	-	(29,657)	(5,975)	(5,482)	(1,251,327)
Charge for the period	(675,727)	(81,986)	(35,064)	(318,571)	-	(37,011)	(10,116)	(235)	(1,158,710)
Recoveries	-	-	-	(54,030)	-	-	-	-	(54,030)
Loans written off as uncollectable	-	239,650	16,414	379,229	-	39,790	4,282	1,056	680,421
At 30 June 2011	(842,810)	(153,861)	(101,253)	(642,374)	-	(26,878)	(11,809)	(4,661)	(1,783,646)

12. Loans to customers (continued)**Credit quality of loans to individuals**

The following table provides information on the credit quality of loans to individuals as at 30 June 2012:

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
Consumer loans				
- Not past due	27,355,244	(143,607)	27,211,637	0,52%
- Overdue less than 30 days	1,485,118	(156,965)	1,328,153	10,57%
- Overdue 30-89 days	898,135	(350,822)	547,313	39,06%
- Overdue 90-179 days	848,480	(495,661)	352,819	58,42%
- Overdue 180-360 days	801,715	(594,288)	207,427	74,13%
Total consumer loans	31,388,692	(1,741,343)	29,647,349	5,55%
Credit cards				
- Not past due	2,041,979	(13,018)	2,028,961	0,64%
- Overdue less than 30 days	247,002	(32,325)	214,677	13,09%
- Overdue 30-89 days	143,620	(66,184)	77,436	46,08%
- Overdue 90-179 days	89,194	(59,229)	29,965	66,40%
- Overdue 180-360 days	29,241	(23,302)	5,939	79,69%
Total credit cards	2,551,036	(194,058)	2,356,978	7,61%
Mortgage loans				
- Not past due	209,682	(2,093)	207,589	1,00%
- Overdue less than 30 days	23,989	(1,199)	22,790	5,00%
- Overdue 30-89 days	5,828	(582)	5,246	9,99%
- Overdue 90-179 days	3,110	(622)	2,488	20,00%
- Overdue 180-360 days	7,006	(2,099)	4,907	29,96%
- Overdue more than 360 days	11,181	(5,590)	5,591	50,00%
Total mortgage loans	260,796	(12,185)	248,611	4,67%
Car loans				
- Not past due	1,493	(15)	1,478	1,00%
- Overdue less than 30 days	1,133	(170)	963	15,00%
- Overdue 30-89 days	383	(153)	230	39,95%
- Overdue 90-179 days	2,565	(1,346)	1,219	52,48%
- Overdue 180-360 days	1,475	(1,475)	-	100,00%
Total car loans	7,049	(3,159)	3,890	44,81%
Other loans to individuals				
- Not past due	189,559	(6,629)	182,930	3,50%
- Overdue less than 30 days	22,837	(2,284)	20,553	10,00%
- Overdue 30-89 days	999	(400)	599	40,04%
- Overdue 90-179 days	11,394	(6,836)	4,558	60,00%
- Overdue 180-360 days	293	(235)	58	80,20%
Total other loans to individuals	225,082	(16,384)	208,698	7,28%
Total loans to individuals	34,432,655	(1,967,129)	32,465,526	5,71%

12. Loans to customers (continued)**Credit quality of loans to individuals (continued)**

The following table provides information on the credit quality of loans to individuals as at 31 December 2011:

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
Consumer loans				
- Not past due	21,000,319	(85,727)	20,914,592	0.41%
- Overdue less than 30 days	666,272	(46,568)	619,704	6.99%
- Overdue 30-89 days	353,669	(117,709)	235,960	33.28%
- Overdue 90-179 days	344,699	(184,043)	160,656	53.39%
- Overdue 180-360 days	486,431	(397,084)	89,347	81.63%
Total consumer loans	22,851,390	(831,131)	22,020,259	3.64%
Credit cards				
- Not past due	762,164	(3,459)	758,705	0.45%
- Overdue less than 30 days	44,967	(4,567)	40,400	10.16%
- Overdue 30-89 days	19,059	(7,465)	11,594	39.17%
- Overdue 90-179 days	1,785	(1,050)	734	58.88%
Total credit cards	827,975	(16,541)	811,433	2.00%
Mortgage loans				
- Not past due	367,122	(3,660)	363,462	1.00%
- Overdue less than 30 days	21,649	(1,082)	20,567	5.00%
- Overdue 30-89 days	4,381	(435)	3,946	9.93%
- Overdue 90-179 days	5,610	(1,122)	4,488	20.00%
- Overdue 180-360 days	13,541	(4,056)	9,485	29.95%
- Overdue more than 360 days	12,983	(6,490)	6,493	49.99%
Total mortgage loans	425,286	(16,845)	408,441	3.96%
Car loans				
- Not past due	10,745	(107)	10,638	1.00%
- Overdue less than 30 days	2,775	(416)	2,359	14.99%
- Overdue 30-89 days	798	(319)	479	39.97%
- Overdue 90-179 days	978	(587)	391	60.02%
- Overdue 180-360 days	8,222	(8,223)	-	100.00%
Total car loans	23,518	(9,652)	13,867	41.03%
Other loans to individuals				
- Not past due	47,620	(1,665)	45,955	3.50%
- Overdue less than 30 days	1,154	(115)	1,039	9.97%
- Overdue 30-89 days	188	(75)	113	39.89%
- Overdue 90-179 days	472	(283)	189	59.96%
- Overdue 180-360 days	1,092	(875)	218	80.04%
Total other loans to individuals	50,526	(3,013)	47,514	5.96%
Total loans to individuals	24,178,695	(877,182)	23,301,514	3.63%

The Group has estimated loan impairment for loans to individuals based on its past historical loss experience and in some cases per group experience for comparable loan groups.

12. Loans to customers (continued)

Credit quality of loans to corporate entities

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 30 June 2012:

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	10,758,426	(112,675)	10,645,751	0.94%
Impaired loans and finance lease receivables:				
- Not past due	100,517	(53,976)	46,541	53.70%
- Overdue less than 90 days	417,302	(56,097)	361,205	13.44%
- Overdue more than 90 days and less than 1 year	171,607	(119,839)	51,768	69.83%
- Overdue more than 1 year	236,910	(88,741)	148,169	37.46%
Total impaired loans and finance lease receivables	926,336	(318,653)	607,683	34.40%
Individual impairment	601,834	(256,976)	344,858	42.70%
Collective impairment	324,502	(61,677)	262,825	19.01%
Total loans to corporate entities and finance lease receivables	11,684,762	(431,328)	11,253,434	3.36%

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 December 2011:

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	10,705,982	(119,146)	10,586,836	1.11%
Impaired loans and finance lease receivables:				
- Not past due	107,307	(59,722)	47,585	55.66%
- Overdue less than 90 days	419,865	(144,481)	275,384	34.41%
- Overdue more than 90 days and less than 1 year	515,658	(92,388)	423,270	17.92%
- Overdue more than 1 year	262,589	(114,242)	148,347	43.51%
Total impaired loans and finance lease receivables	1,305,419	(410,833)	894,586	31.47%
Individual impairment	961,662	(299,507)	662,155	31.14%
Collective impairment	343,757	(111,326)	232,431	32.39%
Total loans to corporate entities and finance lease receivables	12,011,401	(529,979)	11,481,422	4.41%

13. Current accounts and deposits from customers

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Individuals		
Current accounts and demand deposits	1,073,418	959,854
Term deposits	42,419,932	34,854,228
Corporates		
Current accounts and demand deposits	3,414,080	4,660,194
Amounts payable under repurchase agreements	1,728,193	317,759
Term deposits	2,465,772	1,826,002
	51,101,395	42,618,037

14. Amounts due to the CBR

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Lombard loans received from the CBR	71,031	1,000,450
Repurchase agreements	5,983,786	2,055,057
	6,054,817	3,055,507

15. Deposits and balances from banks

	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
Deposits from banks	472,515	285,691
Loro accounts of banks	52,048	630,768
Repurchase agreements with other banks	30,002	318,623
Other borrowed funds	4,516	7,383
	559,081	1,242,465

16. Subordinated debt

During six-months period ended 30 June 2012, the Group received one subordinated loan of USD 16,000 thousand with a rate of 6,4% p.a. before 1 January 2013 and 15% p.a. after 1 January 2013 maturing on 29 May 2022 from a related party to the Group.

Principal' 000	Currency	Counterparty	Interest rate	Issue dates	Maturity date	30 June 2012 RUR'000 (unaudited)	31 December 2011 RUR'000
		Nederlandse Financierings-	Libor				
		Maatschappij voor	3m+	24.10.2008			
25,000	USD	Ontwikkelingslanden N.V.	4,5%	22.01.2009	15.10.2018	853,294	868,567
16,000	USD	Sovco Capital Partners B. V.	6,4%	29.05.2012	29.05.2022	528,151	-
						1,381,445	868,567

As of 30 June 2012, the Group accrued additional fees in the amount of RUR 29,777 thousand (as of 30 June 2011 – RUR 36,000 thousand) payable to FMO in accordance with terms of agreements which were accounted for as part of effective interest rate on subordinated debt. In accordance with terms of agreement additional fees are calculated based on the financial result of the Group before tax and paid since the Group accumulated profit for the period.

17. Charter capital and other capital contributions

As of 30 June 2012 and 31 December 2011 charter capital totalled RUR 1,906,004 thousand and RUR 2,242,358 thousand, respectively.

On 11 January 2012, 24 January 2012, 20 February 2012 and 29 March 2012 at the extraordinary General meetings of participants it was decided to make distributions to participants from the net profit earned in 2011. The total amount of distributions to participants was RUR 876,746 thousand and made in proportion to units of participants. Distributions to participants were fully paid in March 2012.

In accordance with the Bank's LLC charter, participants may unilaterally withdraw their interests. In such cases the Bank will be obliged to pay the withdrawing participant's share of net assets of the Bank, determined on the basis of statutory accounting reports for the year of withdrawal, in cash or, subject to consent of the participant, by in-kind transfer of assets. The payment should be made no later than six months after the end of the year of the withdrawal.

On 30 May 2012 TBIF Financial Services B.V. announced its withdrawal from the participation in the Bank. 35% of net assets previously owned by TBIF Financial Services B.V. (nominal value of RUR 784,825 thousand) were purchased by SovCo Capital Partners B.V. As a result of that transaction SovCo Capital Partners B.V. became the ultimate parent of the Group. The remaining 15% of net assets (nominal value of RUR 336,354 thousand) were redeemed by the Bank for a total amount of RUR 961,618 thousand.

18. Related party transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by International Financial Reporting Standard IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Total remuneration included in employee compensation (refer to Note 7).

	30 June 2012 RUR'000	30 June 2011 RUR'000
Members of the Board of Directors	11,799	37,456
Other key management personnel	18,921	45,629
	30,720	83,085

The outstanding balances as at 30 June 2012 (unaudited) with related parties are as follows:

	Participants of Parent Group RUR'000	Key management personnel RUR'000	Other RUR'000	Total RUR'000
Loans outstanding at 30 June, gross	-	77,882	476,882	554,764
Less: allowance for impairment at 30 June	-	(1,026)	(5,745)	(6,771)
Loans outstanding at 30 June, net	-	76,856	471,137	547,993
Deposits at 30 June	-	5,288	141,616	146,904
Current accounts at 30 June	27,840	9,417	15,059	52,316
Subordinated debt at 30 June	528,151	-	-	528,151
Other liabilities	9,475	-	-	9,475
Guarantees received	-	1,075,145	1,124,687	2,199,832

The amounts of other liabilities shown in the table above represent the net fair value of the currency swap – contractual agreements between the Bank and SovCo Capital Partners B.V. to exchange foreign currencies. As of 30 June 2012 the fair value of contractual liabilities was RUR 1,188,203 thousand and the fair value of contractual assets was 1,178,728 thousand.

18. Related party transactions (continued)

The outstanding balances as at 31 December 2011 with related parties are as follows:

	<i>Participants of Parent Group RUR'000</i>	<i>Key management personnel RUR'000</i>	<i>Other RUR'000</i>	<i>Total RUR'000</i>
Loans outstanding at 31 December, gross	500,057	61,791	400,222	962,070
Less: allowance for impairment at 31 December	–	(1,490)	(3,061)	(4,551)
Loans outstanding at 31 December, net	500,057	60,301	397,161	957,519
Deposits at 31 December	316,894	45,239	247,019	609,152
Current accounts at 31 December	136	12,363	27,719	40,218
Guarantees received	–	659,612	2,433,024	3,092,636

Amounts included in the interim condensed consolidated income statement for for the six-month period ended 30 June 2012 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants RUR'000</i>	<i>Key management personnel RUR'000</i>	<i>Other RUR'000</i>	<i>Total RUR'000</i>
Interest income	8,127	4,009	25,425	37,561
Interest expense	(16,550)	(1,097)	(6,060)	(23,707)
Interest expense – Subordinated loans	(3,088)	–	–	(3,088)
Provision for loan impairment	–	464	(2,684)	(2,220)
Fee and commission income	30	316	161	507
Other income	1,105	–	–	1,105
Other general administrative expenses	–	(212)	(1,927)	(2,139)

Amounts included in the consolidated income statement for for the six-month period ended 30 June 2011 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants RUR'000</i>	<i>Key management personnel RUR'000</i>	<i>Other RUR'000</i>	<i>Total RUR'000</i>
Interest income	17,397	1,434	4,167	22,998
Interest expense	(9,098)	(1,230)	(6,729)	(17,057)
Provision for loan impairment	–	164	(307)	(143)
Fee and commission income	22	4	208	234
Other general administrative expenses	–	(281)	(68)	(349)

In 2012 the Group sold a controlling stake in one of its subsidiaries to a related party and bought none controlling stake in other entity from a related party. Under the call option agreement concluded with the same related party just after the sale-purchase the Group is able to buy back the stake in anytime for the consideration of none controlling stake in other entity. Refer to Note 3.

19. Maturity analysis

The following table shows monetary assets and liabilities by remaining contractual maturity dates as at 30 June 2012 (unaudited).

	<i>Less than 1 month RUR'000</i>	<i>1 to 3 months RUR'000</i>	<i>3 months to 1 year RUR'000</i>	<i>Less than 1 year RUR'000</i>	<i>1 to 5 years RUR'000</i>	<i>More than 5 years RUR'000</i>	<i>More than 1 year RUR'000</i>	<i>No maturity and overdue RUR'000</i>	<i>Total RUR'000</i>
Assets									
Cash and cash equivalents	6,467,281	–	–	6,467,281	–	–	–	–	6,467,281
Mandatory cash balances with the Central Bank of the Russian Federation	110,484	27,477	72,936	210,897	426,125	–	426,125	–	637,022
Placements with banks	3,442	5,464	21,260	30,166	8,447	–	8,447	–	38,613
Financial instruments at fair value through profit or loss									
- Held by the Group	4,934,302	–	–	4,934,302	–	–	–	–	4,934,302
- Pledged under sale and repurchase agreements	8,525,310	–	–	8,525,310	–	–	–	–	8,525,310
Loans to customers	2,590,699	3,364,260	13,239,372	19,194,331	23,306,285	147,938	23,454,223	1,070,406	43,718,960
Investment in associates	–	–	–	–	–	–	–	5,880	5,880
Other assets	446,178	15,728	72,925	534,831	24,717	–	24,717	–	559,548
Total assets	23,077,696	3,412,929	13,406,493	39,897,118	23,765,574	147,938	23,913,512	1,076,286	64,886,916
Liabilities									
Amounts due to the CBR	6,054,817	–	–	6,054,817	–	–	–	–	6,054,817
Deposits and balances from banks	161,045	70,064	170,110	401,219	157,862	–	157,862	–	559,081
Current accounts and deposits from customers	8,862,975	2,204,204	5,850,845	16,918,024	34,183,361	10	34,183,371	–	51,101,395
Promissory notes	18,928	235,450	322,139	576,517	481,884	1,550	483,434	–	1,059,951
Subordinated debt	–	–	–	–	–	1,381,445	1,381,445	–	1,381,445
Other liabilities	92,138	558,142	–	650,280	–	–	–	–	650,280
Total liabilities	15,189,903	3,067,860	6,343,094	24,600,857	34,823,107	1,383,005	36,206,112	–	60,806,969
Net position as at 30 June 2012 (unaudited)	7,887,793	345,069	7,063,399	15,296,261	(11,057,533)	(1,235,067)	(12,292,600)	1,076,286	4,079,947
Cumulative gap as at 30 June 2012 (unaudited)	7,887,793	8,232,862	15,296,261	15,296,261	4,238,728	3,003,661	3,003,661	4,079,947	–
Net position as at 31 December 2011	7,788,679	(1,836,750)	6,374,817	12,326,745	(7,995,806)	(702,146)	(8,697,952)	1,022,404	4,651,197
Cumulative gap as at 31 December 2011	7,788,679	5,951,928	12,326,745	12,326,745	4,330,939	3,628,793	3,628,793	4,651,197	–

19. Maturity analysis (continued)

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

The above table shows assets and liabilities of the Group by their remaining contractual maturity as at 30 June 2012 and 31 December 2011, with the exception of securities included into financial instruments at fair value through profit or loss. As at 30 June 2012 and 31 December 2011 securities included into financial instruments at fair value through profit or loss are shown in the category "Less than 1 month", because at those dates the Group's management believed that all of these financial instruments could be sold within one month in the normal course of business or were able to be used as collateral for loans from the CBR.

For the purposes of this analysis past due assets and liabilities are disclosed only in the amount of overdue installments under claims or obligations in accordance with the repayment schedule.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However Management believes that in spite of this early withdrawal option and the fact that a substantial portion of customer accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding for the Group.

The Group has undrawn lines of credit with the CBR. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR.

20. Principal subsidiaries

Included in the table below is the list of the principal consolidated subsidiaries, joint ventures and associate of the Group as at 30 June 2012 and 31 December 2011:

	<i>Relationship</i>	<i>Voting rights</i>	
		<i>30 June 2012</i>	<i>31 December 2011</i>
LLC "Leasing Company Razvitie"	Subsidiary	100.00%	100.00%
LLC "Regionalnaya Lisingovaya Compania"	Subsidiary	100.00%	100.00%
LLC "BKA"	Subsidiary	100.00%	100.00%
LLC "Sollers-Finance"	Joint venture	50.00%	50.00%
LLC "Avtozaim"	Special purpose entity	100.00%	100.00%
OJSC "Kostromskoy ipotechniy operator"	Associate	49.00%	49.00%

21. Events subsequent to the balance sheet date

In August 2012 the Group has amended the call option with a related party and the consideration of none controlling stake in other entity was exchanged for 1 EUR.