

# **Sovcombank Group**

Interim condensed consolidated financial  
statements

*for the six-month period ended 30 June 2010*

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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 2010, comprising of the interim condensed consolidated statement of financial position as at 30 June 2010 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

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

*Ernst & Young LLC*

14 September 2010

**Interim condensed consolidated statement of comprehensive income  
for the six-month period ended 30 June 2010**

	<u>30 June 2010</u>	<u>30 June 2009</u>
	<u>RUR'000</u>	<u>RUR'000</u>
<b>Notes</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	3 716 319	2 790 142
Interest expense	(1 464 909)	(1 310 155)
<b>Net interest income</b>	<b>2 251 410</b>	<b>1 479 987</b>
Fee and commission income	173 921	92 049
Fee and commission expense	(37 237)	(35 387)
<b>Net fee and commission income</b>	<b>136 684</b>	<b>56 662</b>
Net gain on financial instruments at fair value through profit or loss	447 730	734 129
Net gain from sale of available-for-sale assets	1 128	71 899
Net foreign exchange gain (loss)	15 431	(38 658)
Other operating income	5 213	58 716
<b>Operating income</b>	<b>2 857 596</b>	<b>2 362 735</b>
Impairment losses	9 (788 541)	(1 901 745)
Personnel expenses	6 (722 347)	(777 377)
Other general administrative expenses	7 (601 378)	(611 747)
<b>Income (loss) before taxes</b>	<b>745 330</b>	<b>(928 134)</b>
Income tax expense/(benefit)	8 (140 553)	179 557
<b>Income (loss)</b>	<b>604 777</b>	<b>(748 577)</b>
<b>Other comprehensive income</b>		
Revaluation reserve for available-for-sale assets		
- Net change in fair value of available-for-sale assets, net of tax	1 024	32 966
<b>Other comprehensive income, net of tax</b>	<b>1 024</b>	<b>32 966</b>
<b>Total comprehensive income (loss)</b>	<b>605 801</b>	<b>(715 611)</b>
<b>Income (loss) attributable to:</b>		
Participants of the Group	604 777	(748 535)
Minority interest	-	(42)
<b>Income (loss)</b>	<b>604 777</b>	<b>(748 577)</b>
<b>Total comprehensive income (loss) attributable to:</b>		
Participants of the Group	605 801	(715 569)
Minority interest	-	(42)
<b>Total comprehensive income</b>	<b>605 801</b>	<b>(715 611)</b>

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 14 September 2010.

Mr. Khotimsky S.V.  
Chief Executive Officer

Mr. Sokolov K.Y.  
Chief Financial Officer

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

**Interim condensed consolidated statement of financial position**  
**as the 30 June 2010**

		<b>30 June 2010</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
		<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>
	<b>Notes</b>	<b>(unaudited)</b>	<b>Adjusted</b>	<b>Adjusted</b>
<b>Assets</b>				
Cash and cash equivalents	10	1 857 666	3 400 616	4 022 423
Mandatory cash balances with the Central Bank of the Russian Federation		182 579	168 643	25 856
Placements with banks		910 000	35 000	1 500
Financial instruments at fair value through profit or loss				
- Held by the Group	11	4 448 340	4 579 362	585 183
- Pledged under sale and repurchase agreements	11	5 965 515	8 954 785	50 669
Loans to customers	12	18 209 547	14 744 207	14 941 459
Available-for-sale assets				
- Held by the Group		20 178	10 259	439 156
- Pledged under sale and repurchase agreements		-	8 644	732 928
Held-to-maturity investments				
- Held by the Group		-	-	1 321 531
- Pledged under sale and repurchase agreements		-	-	755 689
Investment property		116 201	120 701	123 112
Property, equipment and intangible assets		956 046	1 016 436	1 151 208
Goodwill		407 478	407 478	407 478
Deferred tax asset		147 198	176 003	147 786
Other assets		450 033	362 183	487 743
<b>Total assets</b>		<b>33 670 781</b>	<b>33 984 317</b>	<b>25 193 721</b>
<b>Liabilities</b>				
Current accounts and deposits from customers	13	24 256 997	21 989 977	16 794 814
Deposits and balances from banks	14	3 750 299	7 526 911	4 566 513
Promissory notes		1 087 470	647 326	455 845
Subordinated debt	15	781 110	756 957	609 385
Deferred tax liabilities		-	-	43 419
Other liabilities		354 986	229 028	434 246
<b>Total liabilities</b>		<b>30 230 862</b>	<b>31 150 199</b>	<b>22 904 222</b>
<b>Net assets attributable to participants</b>				
Charter capital		1 097 561	1 097 561	1 097 561
Other capital contributions		2 428 960	2 428 960	1 838 759
Revaluation surplus for property and equipment		2 311	2 311	12 617
Revaluation reserve for available-for-sale assets		(647)	(1 671)	(34 879)
Accumulated losses		(88 266)	(693 043)	(625 033)
<b>Total net assets attributable to participants</b>		<b>3 439 919</b>	<b>2 834 118</b>	<b>2 289 025</b>
<b>Minority interests</b>		<b>-</b>	<b>-</b>	<b>474</b>
<b>Total net assets</b>		<b>3 439 919</b>	<b>2 834 118</b>	<b>2 289 499</b>
<b>Total liabilities</b>		<b>33 670 781</b>	<b>33 984 317</b>	<b>25 193 721</b>

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 cash flows**  
**for the six-month period ended 30 June 2010**

	<u>30 June 2010</u>	<u>30 June 2009</u>
	<u>RUR'000</u>	<u>RUR'000</u>
<u>Notes</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Cash flows from operating activities	1 608 149	(987 025)
(Increase)/decrease in operating assets	(1 679 002)	(6 562 012)
Increase/(decrease) in operating liabilities	(1 180 521)	1 345 635
<b>Net cash provided from operating activities before taxes paid</b>	<b>(1 251 374)</b>	<b>(6 203 402)</b>
Taxes paid	(191 564)	(46 906)
<b>Cash flows from operating activities</b>	<b>(1 442 938)</b>	<b>(6 250 308)</b>
<b>Cash flows from investing activities</b>	<b>(20 941)</b>	<b>2 977 629</b>
<b>Cash flows from financing activities</b>	<b>341</b>	<b>701 721</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1 463 538)</b>	<b>(2 570 958)</b>
Effect of changes in exchange rates on cash and cash equivalents	(79 412)	103 175
Cash and cash equivalents at the beginning of the period	3 400 616	4 022 423
<b>Cash and cash equivalents at the end of the period</b>	<b>1 857 666</b>	<b>1 554 640</b>

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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.*

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

for the six-month period ended 30 June 2010

	<i>Attributable to participants</i>							
	<i>Charter capital</i>	<i>Other capital contributions</i>	<i>Revaluation reserve for property</i>	<i>Revaluation reserve for assets available-for-sale</i>	<i>Retained earnings (accumulated losses)</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>
<b>Balance as at 1 January 2009 Adjusted</b>	<b>1 097 561</b>	<b>1 838 759</b>	<b>12 617</b>	<b>(34 879)</b>	<b>(625 033)</b>	<b>2 289 025</b>	<b>474</b>	<b>2 289 499</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32 966</b>	<b>(748 535)</b>	<b>(715 569)</b>	<b>(42)</b>	<b>(715 611)</b>
Minority interest in acquired subsidiaries	-	-	-	-	-	-	(120)	(120)
Contributions by participants	-	565 201	-	-	-	565 201	-	565 201
<b>Balance as at 30 June 2009 (unaudited) Adjusted</b>	<b>1 097 561</b>	<b>2 403 960</b>	<b>12 617</b>	<b>(1 913)</b>	<b>(1 373 568)</b>	<b>2 138 657</b>	<b>312</b>	<b>2 138 969</b>
<b>Balance as at 1 January 2010 Adjusted</b>	<b>1 097 561</b>	<b>2 428 960</b>	<b>2 311</b>	<b>(1 671)</b>	<b>(693 043)</b>	<b>2 834 118</b>	<b>-</b>	<b>2 834 118</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 024</b>	<b>604 777</b>	<b>605 801</b>	<b>-</b>	<b>605 801</b>
<b>Balance as at 30 June 2010 Unaudited</b>	<b>1 097 561</b>	<b>2 428 960</b>	<b>2 311</b>	<b>(647)</b>	<b>(88 266)</b>	<b>3 439 919</b>	<b>-</b>	<b>3 439 919</b>

The interim condensed consolidated statement of changes 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.

## 1 Background

### Principal activities

These 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 consolidated subsidiaries as of the Sovcombank Group is disclosed in note 18.

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 "CBRF"). The Bank also has licences for operations with securities and custody services issued by the Federal Securities Market Commission (the "FSMC") on 7 February 2006. 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 2,981 employees as at 30 June 2010 (31 December 2009: 3,096).

### Shareholders

As at 30 June 2010 and 31 December 2009, the Group's ownership was as follows:

	<i>Ownership % 30 June 2010</i>	<i>Ownership % 31 December 2009</i>
TBIF Financial Services B.V.	62,3725%	62,3725%
SovCo Capital Partners B.V.	37,6275%	37,6275%

The parent company of TBIF, TBIH Financial Services Group N.V. ("TBIH") is located in the Netherlands. TBIH, through its subsidiaries, pursues investment opportunities in the field of financial services, focusing on banking, retail lending (financial leases and consumer financing), insurance, asset management and investment advisory services. The ultimate parent of TBIH, Kardan N.V., is located in the Netherlands.

### Russian business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## 2 Basis of preparation

### General

The interim condensed consolidated financial statements for the six months ended 30 June 2010 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 2009.



### 3 Significant accounting policies

The accounting policies applied by the Group in this interim consolidated condensed financial information are consistent with those applied by the Group in the consolidated financial information for the year ended 31 December 2009.

#### New Standards and Interpretations not yet adopted

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

#### *IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)*

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor it gives rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards are applied prospectively.

#### *Improvements to IFRSs*

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except the following amendments resulting in changes to accounting policies, as described below.

- ▶ IAS 7 "*Statement of Cash Flows*": Explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- ▶ IAS 36 "*Impairment of Assets*": The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Group as the annual impairment test is performed before aggregation.
- ▶ IFRS 8 "*Operating Segment Information*": clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group continues to disclose this information.

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Group:

- ▶ Amendment to IAS 39 "*Financial Instruments: recognition and measurement*" - Eligible Hedged Items
- ▶ Amendment to IFRS 2 "*Share-based Payment*" - Group Cash-settled Share-based Payment Transactions
- ▶ IFRIC 17 "*Distribution of Non-Cash Assets to Owners*"

### 4 Reclassification to prior period

As of December 31, 2009 the Group has recognised deferred tax assets and deferred tax liabilities attributable to the Group. The Group has corrected the error and recognised deferred tax assets net of deferred tax liabilities as of December 31, 2009 in respect of this change.

	<b>31 December 2009 before the reclassifications</b>	<b>Reclassification</b>	<b>31 December 2009 after the reclassifications</b>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>
<b>Assets</b>			
Deferred tax asset	349 740	(128 531)	221 909
<b>Liabilities</b>			
Deferred tax liability	128 531	(128 531)	–

#### 4 Reclassification to prior period (continued)

The Group has performed reclassification of net gain on financial instruments at fair value through profit or loss in the amount of 71 810 RUR to net gain on available-for-sale assets in respect of comparative amounts due to the misclassification in the interim condensed consolidated statements of comprehensive income for the period ended 30 June, 2009.

Since the period ended 30 June, 2010 the Group has ceased to accrue interest on fully impaired consumer loans which are fully provided for IFRS purposes. In respect of this change the Group has adjusted comparative amounts and has written off accrued interest income on fully impaired consumer loans in the amount of 25 146 RUR against provision expenses on loans to customers in the interim condensed consolidated statement of comprehensive income for the period ended 30 June, 2009.

Since 30 June, 2010 the Group has started to classify commission expense paid to collection agencies to provision expense for impairment on loans to customers in accordance with nature of these expenses. In respect of this change the Group has reclassified commission expense paid to collection agencies to provision expense for impairment on loans to customers in the amount of 13 331 RUR in the interim condensed consolidated statement of comprehensive income for the period ended 30 June, 2009.

	<b>6 months 2009 before the reclassification</b>	<b>Reclassification</b>	<b>6 months 2009 after the reclassification</b>
	<b>RUR'000</b>		<b>RUR'000</b>
	<b>(unaudited)</b>	<b>RUR'000</b>	<b>(unaudited)</b>
<b>Income statement</b>			
Net gain on financial instruments at fair value through profit or loss	805 939	(71 810)	734 129
Net gain on available-for-sale assets	89	71 810	71 899
Interest income	2 815 288	(25 146)	2 790 142
Impairment losses	(1 913 560)	11 815	(1 901 745)
Other general administrative expenses	–	(611 747)	(611 747)
Personnel expenses	–	(777 377)	(777 377)
Operating expenses	(1 402 455)	1 402 455	–

Since 30 June, 2010 the Group has changed the presentation of disclosure of other general and administrative expenses. The Group has changed the presentation of comparative amounts for the period ended 30 June, 2009 in respect of this change.

	<b>6 months 2009 before the reclassification</b>	<b>Reclassification</b>	<b>6 months 2009 after the reclassification</b>
	<b>RUR'000</b>		<b>RUR'000</b>
	<b>(unaudited)</b>	<b>RUR'000</b>	<b>(unaudited)</b>
<b>Other general administrative expenses</b>			
Professional and security services.	–	(53 023)	(53 023)
Repairs and maintenance	(25 470)	(10 283)	(35 753)
IT supporting payments	–	(27 353)	(27 353)
Other	(38 211)	12 234	(25 977)
Security	(45 158)	45 158	–
Professional services	(21 196)	21 196	–
Office equipment and supplies	(12 071)	12 071	–

## 5 Adjustment of prior period

The Group identified that deferred tax asset was overstated by the amount of RUR 45 206 as of 31 December, 2009 and as of 31 December, 2008. The Group adjusted retrospectively its financial statements as of 31 December, 2009 and as of 31 December, 2008.

Comparative information as of 31 December, 2009 and as of 31 December, 2008 is adjusted as follows:

	<b>31 December 2009</b>		
	<i>after reclassification before the adjustment</i>	<i>Adjustment</i>	<i>31 December 2009 after the adjustment</i>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>
<b>Assets</b>			
Deferred tax asset	221 209	(45 206)	176 003
<b>Equity</b>			
Accumulated losses	(647 837)	(45 206)	(693 043)
	<b>31 December 2008</b>		
	<i>after reclassification before the adjustment</i>	<i>Adjustment</i>	<i>31 December 2008 after the adjustment</i>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>
<b>Assets</b>			
Deferred tax asset	192 992	(45 206)	147 786
<b>Equity</b>			
Accumulated losses	(579 827)	(45 206)	(625 033)

## 6 Personnel expenses

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Employee compensation	(596 066)	(640 013)
Payroll related taxes	(126 281)	(137 364)
	<b>(722 347)</b>	<b>(777 377)</b>

## 7 Other general administrative expenses

	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Occupancy	(127 732)	(148 976)
Advertising and marketing	(92 307)	(79 184)
Depreciation and amortization	(81 331)	(99 625)
Professional and security services	(76 496)	(53 023)
Communications and information services	(44 616)	(48 191)
Taxes other than on income	(40 672)	(39 395)
Insurance	(38 264)	(28 650)
Repairs and maintenance	(33 002)	(35 753)
Transport	(20 764)	(25 620)
IT supporting payments	(12 598)	(27 353)
Other	(33 596)	(25 977)
	<b>(601 378)</b>	<b>(611 747)</b>

**8 Income tax expense**

	<b>30 June 2010</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>30 June 2009</b> <b>RUR'000</b> <b>(unaudited)</b>
<b>Current tax expense</b>		
Current tax expense	(111 980)	(29 596)
Tax in respect of prior years	–	(3 450)
	<b>(111 980)</b>	<b>(33 046)</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(28 573)	212 603
<b>Total income tax expense</b>	<b>(140 553)</b>	<b>179 557</b>

The applicable tax rate for current tax is 20%.

**9 Impairment losses**

	<b>30 June 2010</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>30 June 2009</b> <b>RUR'000</b> <b>(unaudited)</b>
Loans to customers (Note 12)	(721 138)	(1 901 745)
Other assets	(67 403)	–
	<b>(788 541)</b>	<b>(1 901 745)</b>

**10 Cash and cash equivalents**

	<b>30 June 2010</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>31 December</b> <b>2009</b> <b>RUR'000</b>
Cash on hand	1 142 552	928 161
Nostro accounts with Russian banks	291 464	620 417
Nostro accounts with OECD banks	283 711	636 991
Due from the CBRF	139 471	1 181 778
Placements with banks	468	33 269
	<b>1 857 666</b>	<b>3 400 616</b>

**11 Financial instruments at fair value through profit or loss**

	<b>30 June 2010</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>31 December 2009</b> <b>RUR'000</b>
<b>Held by the Group</b>		
Government and municipal bonds	797 921	873 381
Corporate bonds	3 399 410	3 058 353
Promissory notes	251 009	626 182
Derivative financial instruments	–	21 446
<b>Total financial instruments at fair value through profit or loss held by the Group</b>	<b>4 448 340</b>	<b>4 579 362</b>
<b>Pledged under sale and repurchase agreements</b>		
Government and municipal bonds	495 137	2 617 695
Corporate bonds	5 470 378	5 736 360
Promissory notes	–	600 730
<b>Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements</b>	<b>5 965 515</b>	<b>8 954 785</b>
<b>Total financial instruments at fair value through profit or loss</b>	<b>10 413 855</b>	<b>13 534 147</b>

**12 Loans to customers**

	<b>30 June 2010</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>31 December 2009</b> <b>RUR'000</b>
<b>Loans to individuals</b>		
Consumer loans	9 137 469	8 716 888
Mortgage loans	699 204	870 584
Car loans	148 287	234 316
Other	1 189 275	655 577
<b>Total loans to individuals</b>	<b>11 174 235</b>	<b>10 477 365</b>
<b>Loans to corporate entities and finance lease receivables</b>		
Loans to small and medium size companies	8 299 566	6 085 075
Finance lease receivables	425 191	461 137
<b>Total loans to corporate entities and finance lease receivables</b>	<b>8 724 757</b>	<b>6 546 212</b>
<b>Gross loans to customers</b>	<b>19 898 992</b>	<b>17 023 577</b>
Less: provision for loan impairment	(1 689 445)	(2 279 370)
<b>Net loans to customers</b>	<b>18 209 547</b>	<b>14 744 207</b>

Movements in the loan impairment provision for six-month periods ended 30 June 2010 and 30 June 2009 are as follows:

	<i>Loans to small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer loans</i>	<i>Mortgage loans</i>	<i>Car loans</i>	<i>Other loans to individuals</i>	<i>Total</i>
At 1 January 2009	(187 439)	(14 514)	(1 332 755)	(67 695)	(39 113)	(77 429)	(1 718 945)
Provision for loan impairment (Note 9)	(270 913)	(49 041)	(1 482 653)	(37 538)	(45 352)	(16 248)	(1 901 745)
Loans written off as uncollectible	-	-	208 138	-	-	-	208 138
<b>At 30 June 2009 (unaudited)</b>	<b>(458 352)</b>	<b>(63 555)</b>	<b>(2 607 270)</b>	<b>(105 233)</b>	<b>(84 465)</b>	<b>(93 677)</b>	<b>(3 412 552)</b>

	<i>Loans to small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer loans</i>	<i>Mortgage loans</i>	<i>Car loans</i>	<i>Other loans to individuals</i>	<i>Total</i>
At 1 January 2010	(639 387)	(113 518)	(1 271 062)	(124 930)	(42 858)	(87 615)	(2 279 370)
Provision for loan impairment (Note 9)	(129 848)	(29 112)	(501 018)	(34 487)	(16 751)	(9 922)	(721 138)
Loans written off as uncollectible	299 474	-	943 808	40 359	22 369	5 053	1 311 063
<b>At 30 June 2010 (unaudited)</b>	<b>(469 761)</b>	<b>(142 630)</b>	<b>(828 272)</b>	<b>(119 058)</b>	<b>(37 240)</b>	<b>(92 484)</b>	<b>(1 689 445)</b>

**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 2010 (unaudited):

	<b>Gross loans</b>	<b>Impairment</b>	<b>Net loans</b>	<b>Impairment to gross loans</b>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>	<b>%</b>
<b>Consumer loans</b>				
- Not past due	7 637 297	(59 187)	7 578 110	0,77%
- Overdue less than 30 days	415 861	(58 223)	357 638	14,00%
- Overdue 30-89 days	254 324	(106 058)	148 266	41,70%
- Overdue 90-179 days	305 996	(171 653)	134 343	56,10%
- Overdue 180-360 days	523 991	(433 151)	90 840	82,66%
<b>Total consumer loans</b>	<b>9 137 469</b>	<b>(828 272)</b>	<b>8 309 197</b>	<b>9,06%</b>
<b>Mortgage loans</b>				
- Not past due	400 182	(3 836)	396 346	0,96%
- Overdue less than 30 days	57 593	(2 859)	54 734	4,96%
- Overdue 30-89 days	18 101	(1 804)	16 297	9,97%
- Overdue 90-179 days	18 803	(3 684)	15 119	19,59%
- Overdue 180-360 days	35 288	(10 145)	25 143	28,75%
- Overdue more than 360 days	169 237	(96 730)	72 507	57,16%
<b>Total mortgage loans</b>	<b>699 204</b>	<b>(119 058)</b>	<b>580 146</b>	<b>17,03%</b>
<b>Car loans</b>				
- Not past due	69 169	(689)	68 480	1,00%
- Overdue less than 30 days	25 185	(3 738)	21 447	14,84%
- Overdue 30-89 days	11 073	(4 429)	6 644	40,00%
- Overdue 90-179 days	15 901	(9 529)	6 372	59,93%
- Overdue 180-360 days	26 959	(18 855)	8 104	69,94%
<b>Total car loans</b>	<b>148 287</b>	<b>(37 240)</b>	<b>111 047</b>	<b>25,11%</b>
<b>Other loans to individuals</b>				
- Not past due	767 878	(9 566)	758 312	1,25%
- Overdue less than 30 days	44 207	(1 007)	43 200	2,28%
- Overdue 30-89 days	214 355	(5 323)	209 032	2,48%
- Overdue 90-179 days	8 770	(3 337)	5 433	38,05%
- Overdue 180-360 days	21 314	(10 423)	10 891	48,90%
- Overdue more than 360 days	132 751	(62 828)	69 923	47,33%
<b>Total other loans to individuals</b>	<b>1 189 275</b>	<b>(92 484)</b>	<b>1 096 791</b>	<b>7,78%</b>
<b>Total loans to individuals</b>	<b>11 174 235</b>	<b>(1 077 054)</b>	<b>10 097 181</b>	<b>9,64%</b>

**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 2009:

	<b>Gross loans</b>	<b>Impairment</b>	<b>Net loans</b>	<b>Impairment to gross loans</b>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>	<b>%</b>
<b>Consumer loans</b>				
- Not past due	6 773 202	(68 506)	6 704 696	1,00%
- Overdue less than 30 days	361 074	(63 675)	297 399	17,60%
- Overdue 30-89 days	339 127	(155 313)	183 814	45,80%
- Overdue 90-179 days	366 081	(215 286)	150 795	58,80%
- Overdue 180-360 days	877 404	(768 282)	109 122	87,60%
<b>Total consumer loans</b>	<b>8 716 888</b>	<b>(1 271 062)</b>	<b>7 445 826</b>	<b>14,60%</b>
<b>Mortgage loans</b>				
- Not past due	524 365	(4 943)	519 422	0,90%
- Overdue less than 30 days	50 402	(2 514)	47 888	5,00%
- Overdue 30-89 days	19 073	(2 076)	16 997	10,90%
- Overdue 90-179 days	17 089	(3 002)	14 087	17,60%
- Overdue 180-360 days	82 996	(24 698)	58 298	29,80%
- Overdue more than 360 days	176 659	(87 697)	88 962	49,60%
<b>Total mortgage loans</b>	<b>870 584</b>	<b>(124 930)</b>	<b>745 654</b>	<b>14,40%</b>
<b>Car loans</b>				
- Not past due	142 848	(1 421)	141 427	1,00%
- Overdue less than 30 days	27 601	(4 810)	22 791	17,40%
- Overdue 30-89 days	16 975	(6 771)	10 204	39,90%
- Overdue 90-179 days	18 753	(10 980)	7 773	58,60%
- Overdue 180-360 days	28 139	(18 876)	9 263	67,10%
<b>Total car loans</b>	<b>234 316</b>	<b>(42 858)</b>	<b>191 458</b>	<b>18,30%</b>
<b>Other loans to individuals</b>				
- Not past due	405 490	(27 675)	377 815	6,80%
- Overdue less than 30 days	119 046	(4 617)	114 428	3,90%
- Overdue 30-89 days	14 947	(8 589)	6 358	57,50%
- Overdue 90-179 days	16 113	(6 858)	9 255	42,60%
- Overdue 180-360 days	58 956	(15 436)	43 520	26,20%
- Overdue more than 360 days	41 025	(24 440)	16 585	59,60%
<b>Total other loans to individuals</b>	<b>655 577</b>	<b>(87 615)</b>	<b>567 961</b>	<b>13,40%</b>
<b>Total loans to individuals</b>	<b>10 477 365</b>	<b>(1 526 465)</b>	<b>8 950 899</b>	<b>14,60%</b>

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.

**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 2010 (unaudited):

	<b>Gross loans</b>	<b>Impairment</b>	<b>Net loans</b>	<b>Impairment to gross loans</b>
	<b>RUR'000</b>	<b>RUR'000</b>	<b>RUR'000</b>	<b>%</b>
<b>Loans to corporate entities and finance lease receivables</b>				
Loans and finance lease receivables without individual signs of impairment	7 689 657	(150 607)	7 539 050	1,96%
Loans and finance lease receivables with individual signs of impairment:				
- Overdue less than 90 days	350 126	(49 557)	300 569	14,15%
- Overdue more than 90 days and less than 1 year	353 766	(255 365)	98 401	72,18%
- Overdue more than 1 year	331 208	(156 862)	174 346	47,36%
<b>Total loans and finance lease receivables with individual signs of impairment</b>	<b>1 035 100</b>	<b>(461 784)</b>	<b>573 316</b>	<b>44,61%</b>
<b>Total loans to corporate entities and finance lease receivables</b>	<b>8 724 757</b>	<b>(612 391)</b>	<b>8 112 366</b>	<b>7,02%</b>

**12 Loans to customers (continued)****Credit quality of loans to corporate entities (continued)**

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 December 2009

	<i>Gross loans</i>	<i>Impairment</i>	<i>Net loans</i>	<i>Impairment</i>
	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>to gross loans</i>
				<i>%</i>
<b>Loans to corporate entities and finance lease receivables</b>				
Loans and finance lease receivables without individual signs of impairment	4 774 293	(116 836)	4 657 457	2,40%
Loans and finance lease receivables with individual signs of impairment:				
- Overdue less than 90 days	839 282	(97 235)	742 047	11,60%
- Overdue more than 90 days and less than 1 year	737 646	(385 184)	352 462	52,20%
- Overdue more than 1 year	194 992	(153 650)	41 342	78,80%
<b>Total loans and finance lease receivables with individual signs of impairment</b>	<b>1 771 920</b>	<b>(636 069)</b>	<b>1 135 851</b>	<b>35,90%</b>
<b>Total loans to corporate entities and finance lease receivables</b>	<b>6 546 213</b>	<b>(752 905)</b>	<b>5 793 308</b>	<b>11,50%</b>

The majority of loans to corporate entities are represented by loans issued to small and medium size companies.

As at 30 June 2010 the renegotiated loans to legal entities amounted to RUR 381 015 thousand (31 December 2009: RUR 189 379 thousand) and loan loss allowances for these loans amounted to RUR 22 063 thousand (31 December 2009: RUR 18 942 thousand).

**13 Current accounts and deposits from customers**

	<i>30 June 2010</i>	<i>31 December 2009</i>
	<i>RUR'000</i>	<i>RUR'000</i>
	<i>(unaudited)</i>	
<b>Individuals</b>		
Term deposits	18 310 767	15 786 461
Current accounts and demand deposits	1 199 010	1 761 052
<b>Corporates</b>		
Term deposits	872 185	546 243
Amounts payable under repurchase agreements	1 948 961	-
Current accounts and demand deposits	1 926 074	3 896 221
	<b>24 256 997</b>	<b>21 989 977</b>

**14 Deposits and balances from banks**

	<i>30 June 2010</i>	<i>31 December 2009</i>
	<i>RUR'000</i>	<i>RUR'000</i>
	<i>(unaudited)</i>	
Amounts payable under repurchase agreements to banks	3 419 689	3 499 206
Deposits from Central Bank of Russia		
-Collateralized by security	110 319	3 841 278
Deposits from banks	172 471	-
Loro accounts of banks	30 451	139 420
Deposits from banks obtained for leasing activities	17 369	47 007
	<b>3 750 299</b>	<b>7 526 911</b>



**15 Subordinated debt**

<i>Principal'</i>						30 June 2010	31 December 2009
000	Currency	Counterparty	Interest rate	Issue dates	Maturity date	RUR'000 (unaudited)	RUR'000
25 000	USD	Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V.	Libor 3m+ 4,25%	24.10.2008 22.01.2009	15.10.2018	781 110	756 957
						<b>781 110</b>	<b>756 957</b>

**16 Related party transactions**

For the purposes of these 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.

The outstanding balances as at 30 June 2010 (unaudited) with related parties are as follows:

	<i>Participants</i>		<i>Key management personnel</i>		<i>Other</i>		<i>Total</i>
	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>
Loans to customers (gross)	458 236	9,15%	3 660	18,00%	125 612	12,00%	587 508
Allowances for loan impairment	–	–	(44)	–	(2 105)	–	(2 149)
Current accounts and deposits from customers	192	0%	92 865	2,56%	211 452	6,20%	304 509
Guarantees received	190 932	–	97 347	–	–	–	288 279

The outstanding balances as at 31 December 2009 with related parties are as follows:

	<i>Participants</i>		<i>Key management personnel</i>		<i>Other</i>		<i>Total</i>
	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>	<i>Average interest rate</i>	<i>RUR'000</i>
Loans to customers (gross)	363 066	8,25%	14 757	18,21%	82 756	12,00%	460 579
Allowances for loan impairment	–	–	(211)	–	(993)	–	(1 204)
Current accounts and deposits from customers	151	0%	133 968	6,61%	220 575	7,87%	354 694
Guarantees received	–	–	391 039	–	–	–	391 039

**16 Related party transactions (continued)**

Amounts included in the consolidated income statement for for the six-month period ended 30 June 2010 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants</i>	<i>Key management personnel</i>	<i>Other</i>	<i>Total</i>
	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>
Interest income	22 714	10 525	4 828	38 067
Interest expense	–	(2 825)	(7 317)	(10 142)
Provision for loan impairment	–	167	(1 112)	(945)
Fee and commission income	14	311	110	435
Other income	–	716	70	786
Other general administrative expenses	–	(55 257)	(678)	(55 935)

Amounts included in the consolidated income statement for for the six-month period ended 30 June 2009 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants</i>	<i>Key management personnel</i>	<i>Other</i>	<i>Total</i>
	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>
Interest income	13 350	975	39	14 364
Interest expense	(2 747)	(347)	(45)	(3 139)
Provision for loan impairment	4 957	(406)	9 421	13 972
Fee and commission income	25	313	46	384
Other general administrative expenses	–	(35 784)	(40)	(35 824)

## 17 Maturity analysis

The following table shows monetary assets and liabilities by remaining contractual maturity dates as at 30 June 2010 (adjusted).

	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>No maturity and overdue</i>	<i>Total</i>
	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>
<b>Assets</b>							
Cash and cash equivalents	1 857 666	–	–	–	–	–	1 857 666
Mandatory cash balances with the Central Bank of the Russian Federation	57 205	27 438	49 898	48 038	–	–	182 579
Placements with banks	–	110 000	–	800 000	–	–	910 000
Financial instruments at fair value through profit or loss							
-Held by the Group	4 448 340	–	–	–	–	–	4 448 340
-Pledged under sale and repurchase agreements	5 965 515	–	–	–	–	–	5 965 515
Loans to customers	1 516 133	1 707 709	5 202 763	8 779 953	239 149	763 840	18 209 547
Available-for-sale assets							
-Held by the Group	20 178	–	–	–	–	–	20 178
-Pledged under sale and repurchase agreements	–	–	–	–	–	–	–
Other assets	289 191	7 882	85 012	17 453	–	50 495	450 033
<b>Total assets</b>	<b>14 154 228</b>	<b>1 853 029</b>	<b>5 337 673</b>	<b>9 645 444</b>	<b>239 149</b>	<b>814 335</b>	<b>32 043 858</b>
<b>Liabilities</b>							
Current accounts and deposits from customers	7 600 164	3 645 321	6 629 321	6 382 191	–	–	24 256 997
Deposits and balances from banks	3 737 140	7 453	5 706	–	–	–	3 750 299
Promissory notes	31 989	89 212	829 602	135 289	1 378	–	1 087 470
Subordinated debt	–	–	–	–	781 110	–	781 110
Other liabilities	165 525	79 828	–	–	–	109 633	354 986
<b>Total liabilities</b>	<b>11 534 818</b>	<b>3 821 814</b>	<b>7 464 629</b>	<b>6 517 480</b>	<b>782 488</b>	<b>109 633</b>	<b>30 230 862</b>
<b>Net position as at 30 June 2010 (unaudited)</b>	<b>2 619 410</b>	<b>(1 968 785)</b>	<b>(2 126 956)</b>	<b>3 127 964</b>	<b>(543 339)</b>	<b>704 702</b>	<b>1 812 996</b>
<b>Cumulative gap as at 30 June 2010 (unaudited)</b>	<b>2 619 410</b>	<b>650 625</b>	<b>(1 476 331)</b>	<b>1 651 633</b>	<b>1 108 294</b>	<b>1 812 996</b>	<b>–</b>
<b>Net position as at 31 December 2009</b>	<b>2 872 317</b>	<b>(309 201)</b>	<b>(1 091 517)</b>	<b>(881 545)</b>	<b>(420 310)</b>	<b>943 756</b>	<b>1 113 500</b>
<b>Cumulative gap as at 31 December 2009</b>	<b>2 872 317</b>	<b>2 563 116</b>	<b>1 471 599</b>	<b>590 054</b>	<b>169 744</b>	<b>1 113 500</b>	<b>–</b>

## 17 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 2010 and 31 December 2009, with the exception of securities included into financial instruments at fair value through profit or loss and financial assets available for sale as at 30 June 2010 and 31 December 2009. As at 30 June 2010 and 31 December 2009 securities included into financial instruments at fair value through profit or loss and financial assets available for sale are shown in the category "Less than 1 month", because as 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.

## 18 Principal consolidated subsidiaries

Included in the table below is the list of the principal consolidated subsidiaries of the Group as at 30 June 2010:

	<i>Principal activity</i>	<i>Voting rights/ Equity owned</i>	
		<i>30 June 2010</i>	<i>31 December 2009</i>
<b>Leasing</b>			
LLC "Leasing Company Razvitie"	Leasing	100,00%	100,00%
LLC "Regionalnaya Lisingovaya Compania"	Leasing	100,00%	100,00%
<b>Retail lending</b>			
LLC "ARKA"	Retail lending	100,00%	100,00%
LLC "BKA"	Retail lending	100,00%	100,00%
LLC "Kreditniy Ostrov "Primorye"	Retail lending	100,00%	100,00%

## 19 Subsequent events

There are no material events subsequent to the end of the period 30 June 2010.