

Sovcombank Group

Interim condensed consolidated financial statements

for the six-month period ended 30 June 2011

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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 2011, comprising of the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statements of comprehensive income for the six months then ended, interim condensed consolidated statements of changes in equity 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.

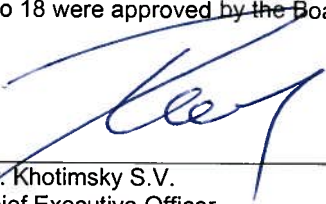
Ernst & Young LLC

29 August 2011

**Interim condensed consolidated statement of comprehensive income
for the six-month period ended 30 June 2011**

		<u>30 June 2011</u>	<u>30 June 2010</u>
		<u>RUR'000</u>	<u>RUR'000</u>
	<u>Notes</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Interest income		4,456,088	3,716,319
Interest expense		(1,608,662)	(1,464,909)
Net interest income		2,847,426	2,251,410
Allowances for loan impairment	4	(1,158,710)	(721,138)
Net interest income after allowances for loan impairment		1,688,716	1,530,272
Fee and commission income	5	1,833,698	173,921
Fee and commission expense		(99,261)	(37,237)
Net fee and commission income		1,734,437	136,684
Net gain on financial instruments at fair value through profit or loss		117,096	447,730
Net gain from sale of available-for-sale assets		-	1,128
Net foreign exchange gain		23,595	15,431
Other impairment and provisions	6	(66,498)	(67,403)
Other operating income		35,375	5,213
Operating income		3,532,721	2,069,055
Personnel expenses	7	(941,212)	(722,347)
Other general administrative expenses	8	(819,301)	(601,378)
Income before taxes		1,772,208	745,330
Income tax expense	9	(379,225)	(140,553)
Income		1,392,983	604,777
Other comprehensive income			
Revaluation reserve for available-for-sale assets			
- Net change in fair value of available-for-sale assets, net of tax		-	1,024
Other comprehensive income, net of tax		-	1,024
Total comprehensive income		1,392,983	605,801

The notes to, and forming part of, the interim condensed consolidated financial statements as set out on pages 5 to 18 were approved by the Board of Directors on 29 August 2011.


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 2011**

		30 June 2011	31 December 2010
		RUR'000	RUR'000
	Notes	(unaudited)	
Assets			
Cash and cash equivalents	10	1,991,499	5,318,321
Mandatory cash balances with the Central Bank of the Russian Federation		417,120	220,181
Placements with banks		126,370	100,613
Financial instruments at fair value through profit or loss			
- Held by the Group	11	5,977,678	7,920,383
- Pledged under sale and repurchase agreements	11	6,654,999	5,779,772
Loans to customers	12	28,109,318	21,742,985
Investment property		119,951	119,951
Property, equipment and intangible assets		1,020,606	831,305
Goodwill		450,587	450,587
Deferred tax asset		82,511	243,008
Other assets		737,126	570,401
Total assets		45,687,765	43,297,507
Liabilities			
Current accounts and deposits from customers	13	31,649,849	31,040,694
Deposits and balances from banks	14	5,046,136	4,554,283
Promissory notes		1,776,802	1,990,280
Subordinated debt	15	739,106	808,486
Deferred tax liabilities		98,592	4,706
Other liabilities		537,346	452,107
Total liabilities		39,847,831	38,850,556
Net assets attributable to participants			
Charter capital		1,097,561	1,097,561
Other capital contributions		2,428,960	2,428,960
Revaluation surplus for property and equipment		24,334	24,334
Retained earnings		2,289,079	896,096
Total net assets attributable to participants		5,839,934	4,446,951
Total liabilities		45,687,765	43,297,507

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 2011

	<i>Attributable to participants</i>					<i>Total equity</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>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	<i>RUR'000</i>	
Balance as at 1 January 2010 Adjusted	1,097,561	2,428,960	2,311	(1,671)	(693,043)	2,834,118
Total comprehensive income	–	–	–	1,024	604,777	605,801
Balance as at 30 June 2010 (unaudited) Adjusted	1,097,561	2,428,960	2,311	(647)	(88,266)	3,439,919
Balance as at 1 January 2011 Adjusted	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

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 cash flows
for the six-month period ended 30 June 2011

	<u>30 June 2011</u>	<u>30 June 2010</u>
	<u>RUR'000</u>	<u>RUR'000</u>
Notes	(unaudited)	(unaudited)
Cash flows from operating activities	3,321,094	1,641,933
Increase in operating assets	(6,981,073)	(1,679,002)
Increase/(decrease) in operating liabilities	1,065,816	(1,180,521)
Net cash provided from operating activities before taxes paid	(2,594,163)	(1,217,590)
Taxes paid	(362,823)	(191,564)
Cash flows from operating activities	(2,956,986)	(1,409,154)
Cash flows from investing activities	(268,585)	(20,941)
Cash flows from financing activities	(53,816)	(33,443)
Net increase in cash and cash equivalents	(3,279,387)	(1,463,538)
Effect of changes in exchange rates on cash and cash equivalents	(47,435)	(79,412)
Cash and cash equivalents at the beginning of the period	5,318,321	3,400,616
Cash and cash equivalents at the end of the period	1,991,499	1,857,666

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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 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 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 "CBR"). 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 3,201 employees as at 30 June 2011 (31 December 2010: 2,944).

Shareholders

As at 30 June 2011 and 31 December 2010, the Group's ownership was as follows:

	Ownership % 30 June 2011	Ownership % 31 December 2010
TBIF Financial Services B.V.	50.0000%	50.0000%
SovCo Capital Partners B.V.	50.0000%	50.0000%

Kardan N.V. is the ultimate parent company of TBIF. It was incorporated on 2 May 2003. Kardan activities include real estate, financial services and infrastructure. Its shares are listed and traded on the Official Segment of the Stock Market of Euronext in Amsterdam (Euronext Amsterdam) and on the Tel Aviv Stock Exchange in Israel (TASE). Sovco Capital Partners B.V. is controlled by the group of Russian businessmen and entrepreneurs (mostly former shareholders of Sovcombank), including key members of Sovcombank management. There is no single ultimate entity or individual that exercise control over the Group as at 30 June 2011 and as at 31 December 2010.

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 has been affected by the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

Also, the recent economic downturn has affected the Group's borrowers' ability to repay the amounts due to the Group and the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2011 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 2010.

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 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011, noted below:

Amendments to IAS 32 Financial instruments: Presentation: Classification of Rights Issues

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment had no impact on the Group's consolidated financial statements.

IAS 24 Related party disclosures (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011. The revised IAS 24 had no impact on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 did not have any material impact on the Group's consolidated financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third 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 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Group, as described below.

- ▶ IFRS 3 *Business combinations*: limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. The amendments to IFRS 3 have no impact on financial statements of the Group.
- ▶ IFRS 7 *Financial instruments: Disclosures*; introduces the amendments to quantitative and credit risk disclosures. The additional requirements will be introduced in the annual financial statements.
- ▶ IAS 34 *Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. There were no transfers of financial instruments between levels of the fair value hierarchy used in measuring the fair value of financial instruments, changes in the classification of financial assets as a result of a change in the purpose or use of those assets, and changes in contingent liabilities or contingent assets during the reporting period which should be disclosed in accordance with requirements of IAS 34.
- ▶ Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 have no impact on the accounting policies, financial position or performance of the Group.

3. Reclassification to prior period

Since 30 June 2011 the Group decided to show allowances for loan impairment and other impairment and provisions in a separate line in consolidated statement of comprehensive income.

	30 June 2010 before the reclassifications RUR'000 (unaudited)	Reclassification RUR'000	30 June 2010 after the reclassifications RUR'000 (unaudited)
Allowances for loan impairment and other impairment	(788,541)	788,541	–
Allowances for loan impairment	–	(721,138)	(721,138)
Other impairment and provisions	–	(67,403)	(67,403)

4. Allowances for loan impairment

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Loans to corporate entities and finance lease receivables (Note 12)	(792,777)	(203,461)
Loans to individuals (Note 12)	(365,933)	(517,677)
	(1,158,710)	(721,138)

5. Fee and commission income

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Insurance agent's fees	1,692,093	90,508
Plastic cards	43,949	13,047
Settlement operations	40,131	35,904
Cash withdrawal	14,528	14,580
Securities operations	13,204	5,904
Foreign exchange operations	12,260	7,197
Guarantee issuance	11,176	1,803
Cash transfer	3,140	3,120
Other	3,217	1,858
	1,833,698	173,921

6. Other impairment and provisions

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Provision under litigation cases	(48,981)	–
Other assets	(17,517)	(67,403)
	(66,498)	(67,403)

7. Personnel expenses

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Employee compensation, including bonuses	(732,961)	(596,066)
Payroll related taxes	(208,251)	(126,281)
	(941,212)	(722,347)

8. Other general administrative expenses

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Advertising and marketing	(182,656)	(92,307)
Occupancy	(132,066)	(127,732)
Depreciation and amortization	(93,432)	(81,331)
Professional services	(71,123)	(34,148)
Communications and information services	(58,715)	(44,616)
Obligatory deposits insurance	(49,823)	(36,139)
Maintenance	(47,490)	(11,965)
Security	(45,559)	(42,348)
Office stationery	(33,702)	(21,037)
Transport	(22,018)	(20,764)
IT supporting payments	(21,803)	(12,598)
Taxes other than on income	(17,621)	(40,672)
Premises insurance	(5,542)	(2,125)
Other	(37,751)	(33,596)
	(819,301)	(601,378)

9. Income tax expense

	30 June 2011 RUR'000 (unaudited)	30 June 2010 RUR'000 (unaudited)
Current tax expense		
Current tax expense	(122,642)	(111,980)
	(122,642)	(111,980)
Deferred tax expense		
Origination and reversal of temporary differences	(256,583)	(28,573)
	(379,225)	(140,553)

The applicable tax rate for current tax is 20%.

10. Cash and cash equivalents

	30 June 2011 RUR'000 (unaudited)	31 December 2010 RUR'000
Cash on hand	1,384,447	1,470,111
Nostro accounts with Russian banks	278,980	508,044
Due from the CBR	256,649	2,279,883
Nostro accounts with OECD banks	61,205	603,478
Short-term placements less than 90 days with Russian banks	6,921	56,802
Nostro accounts with non-OECD banks	3,297	3
Short-term placements less than 90 days with the CBR	–	400,000
	1,991,499	5,318,321

11. Financial instruments at fair value through profit or loss

	30 June 2011 RUR'000 (unaudited)	31 December 2010 RUR'000
Held by the Group		
Corporate bonds	4,504,191	6,333,254
Promissory notes	1,382,078	927,131
Government and municipal bonds	91,409	659,997
Equities	–	1
Total financial instruments at fair value through profit or loss held by the Group	5,977,678	7,920,383
Pledged under sale and repurchase agreements		
Corporate bonds	6,241,963	5,578,550
Government and municipal bonds	413,036	201,222
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	6,654,999	5,779,772
Total financial instruments at fair value through profit or loss	12,632,677	13,700,155

12. Loans to customers

	30 June 2011 RUR'000 (unaudited)	31 December 2010 RUR'000
Loans to individuals		
Consumer loans	16,046,271	11,604,035
Mortgage loans	401,168	481,226
Car loans	41,479	65,161
Other	71,722	67,431
Total loans to individuals	16,560,640	12,217,853
Loans to corporate entities and finance lease receivables		
Corporate	10,828,874	7,870,640
Small and medium size companies	1,716,995	2,129,197
Finance lease receivables	786,455	776,622
Total loans to corporate entities and finance lease receivables	13,332,324	10,776,459
Gross loans to customers	29,892,964	22,994,312
Less: provision for loan impairment	(1,783,646)	(1,251,327)
Net loans to customers	28,109,318	21,742,985

12 Loans to customers (continued)

Movements in the loan impairment provision for six-month periods ended 30 June 2011 and 30 June 2010 are as follows:

	<i>Corporate</i>	<i>Small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer lending</i>	<i>Mortgage</i>	<i>Car</i>	<i>Other loans to individuals</i>	<i>Total</i>
At 1 January 2011	(167,083)	(311,525)	(82,603)	(649,002)	(29,657)	(5,975)	(5,482)	(1,251,327)
Charge for the year	(675,727)	(81,986)	(35,064)	(318,571)	(37,011)	(10,116)	(0,235)	(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)
	<i>Corporate</i>	<i>Small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer lending</i>	<i>Mortgage</i>	<i>Car</i>	<i>Other loans to individuals</i>	
At 1 January 2010	(303,219)	(380,205)	(113,518)	(1,271,293)	(125,284)	(42,858)	(42,993)	(2,279,370)
Charge for the year	(51,740)	(122,609)	(29,112)	(501,015)	(34,508)	(16,751)	34,597	(721,138)
Recoveries	–	–	–	(29,750)	–	–	–	(29,750)
Loans written off as uncollectable	–	299,474	–	973,556	40,360	22,369	5,054	1,340,813
At 30 June 2010	(354,959)	(203,340)	(142,630)	(828,502)	(119,432)	(37,240)	(3,342)	(1,689,445)

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 30 June 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	14,481,786	(67,095)	14,414,691	0.5%
- Overdue less than 30 days	622,940	(54,632)	568,308	8.8%
- Overdue 30-89 days	299,200	(99,984)	199,216	33.4%
- Overdue 90-179 days	261,011	(127,748)	133,263	48.9%
- Overdue 180-360 days	381,334	(292,915)	88,419	76.8%
Total consumer loans	16,046,271	(642,374)	15,403,897	4.0%
Mortgage loans				
- Not past due	283,026	(2,800)	280,226	1.0%
- Overdue less than 30 days	43,609	(2,177)	41,432	5.0%
- Overdue 30-89 days	19,029	(1,903)	17,126	10.0%
- Overdue 90-179 days	12,052	(2,408)	9,644	20.0%
- Overdue 180-360 days	20,154	(6,038)	14,116	30.0%
- Overdue more than 360 days	23,298	(11,552)	11,746	49.6%
Total mortgage loans	401,168	(26,878)	374,290	6.7%
Car loans				
- Not past due	20,427	(197)	20,230	1.0%
- Overdue less than 30 days	5,453	(818)	4,635	15.0%
- Overdue 30-89 days	4,305	(1,722)	2,583	40.0%
- Overdue 90-179 days	5,554	(3,332)	2,222	60.0%
- Overdue 180-360 days	5,740	(5,740)	–	100.0%
Total car loans	41,479	(11,809)	29,670	28.5%
Other loans to individuals				
- Not past due	65,379	(2,286)	63,093	3.5%
- Overdue less than 30 days	2,302	(230)	2,072	10.0%
- Overdue 30-89 days	2,598	(1,039)	1,559	40.0%
- Overdue 90-179 days	242	(145)	97	59.9%
- Overdue 180-360 days	1,201	(961)	240	80.0%
- Overdue more than 360 days	–	–	–	–
Total other loans to individuals	71,722	(4,661)	67,061	6.5%
Total loans to individuals	16,560,640	(685,722)	15,874,918	4.1%

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 2010:

	<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	10,396,880	(57,988)	10,338,892	0.6%
- Overdue less than 30 days	347,624	(34,583)	313,041	9.9%
- Overdue 30-89 days	210,751	(73,782)	136,969	35.0%
- Overdue 90-179 days	231,008	(132,707)	98,301	57.4%
- Overdue 180-360 days	417,772	(349,942)	67,830	83.8%
Total consumer loans	11,604,035	(649,002)	10,955,033	5.6%
Mortgage loans				
- Not past due	356,096	(3,496)	352,600	1.0%
- Overdue less than 30 days	49,503	(2,459)	47,044	5.0%
- Overdue 30-89 days	13,685	(1,363)	12,322	10.0%
- Overdue 90-179 days	11,539	(2,284)	9,255	19.8%
- Overdue 180-360 days	23,986	(7,136)	16,850	29.8%
- Overdue more than 360 days	26,417	(12,919)	13,498	48.9%
Total mortgage loans	481,226	(29,657)	451,569	6.2%
Car loans				
- Not past due	45,850	(447)	45,403	1.0%
- Overdue less than 30 days	10,728	(1,609)	9,119	15.0%
- Overdue 30-89 days	6,155	(2,462)	3,693	40.0%
- Overdue 90-179 days	2,428	(1,457)	971	60.0%
- Overdue 180-360 days	0	-	-	-
Total car loans	65,161	(5,975)	59,186	9.2%
Other loans to individuals				
- Not past due	57,979	(2,026)	55,953	3.5%
- Overdue less than 30 days	4,599	(460)	4,139	10.0%
- Overdue 30-89 days	2,065	(826)	1,239	40.0%
- Overdue 90-179 days	303	(182)	121	60.1%
- Overdue 180-360 days	2,485	(1,988)	497	80.0%
Total other loans to individuals	67,431	(5,482)	61,949	8.1%
Total loans to individuals	12,217,853	(690,116)	11,527,737	5.6%

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 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	11,267,353	(159,775)	11,107,578	1.4%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	927,010	(126,076)	800,934	13.6%
- Overdue more than 90 days and less than 1 year	1,010,373	(726,765)	283,608	71.9%
- Overdue more than 1 year	127,588	(85,308)	42,280	66.9%
Total impaired loans and finance lease receivables	2,064,971	(938,149)	1,126,822	45.4%
Individual impairment	1,035,561	(773,946)	261,615	74.7%
Collective impairment	1,029,410	(164,203)	865,207	15.9%
Total loans to corporate entities and finance lease receivables	13,332,324	(1,097,924)	12,234,400	8.2%

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 December 2010

	<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	9,672,325	(172,489)	9,499,836	1.8%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	415,968	(40,417)	375,551	9.7%
- Overdue more than 90 days and less than 1 year	393,170	(153,232)	239,938	38.9%
- Overdue more than 1 year	294,996	(195,073)	99,923	66.1%
Total impaired loans and finance lease receivables	1,104,134	(388,722)	715,412	35.2%
Individual impairment	656,741	(297,334)	359,407	45.3%
Collective impairment	447,393	(91,388)	356,005	20.4%
Total loans to corporate entities and finance lease receivables	10,776,459	(561,211)	10,215,248	5.2%

As at 30 June 2011 the renegotiated loans to legal entities amounted to RUR 340 698 thousand (31 December 2010: RUR 366 651 thousand).

13. Current accounts and deposits from customers

	30 June 2011 RUR'000 (unaudited)	31 December 2010 RUR'000
Individuals		
Term deposits	25,676,936	22,528,165
Current accounts and demand deposits	1,193,760	1,433,845
Corporates		
Current accounts and demand deposits	2,460,053	5,314,358
Amounts payable under repurchase agreements	1,382,359	645,129
Term deposits	936,741	1,119,197
	31,649,849	31,040,694

14. Deposits and balances from banks

	30 June 2011 RUR'000 (unaudited)	31 December 2010 RUR'000
Repurchase agreements with other banks	4,632,934	4,330,872
Deposits from banks	352,365	149,237
Loro accounts of banks	48,990	74,174
Other borrowed funds	11,847	-
	5,046,136	4,554,283

15. Subordinated debt

<i>Principal'</i> <i>000</i>	<i>Currency</i>	<i>Counterparty</i>	<i>Interest rate</i>	<i>Issue dates</i>	<i>Maturity date</i>	30 June 2010 RUR'000 (unaudited)	31 December 2010 RUR'000
25,000	USD	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	Libor 3m+4.5%	24.10.2008 22.01.2009	15.10.2018	739,106	808,486
						739,106	808,486

16. 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 Note 7).

	30 June 2011 RUR'000	30 June 2010 RUR'000
Members of the Board of Directors	37,456	30,711
Other key management personnel	45,629	23,249
	83,085	53,960

The outstanding balances as at 30 June 2011 (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	484,644	2,422	114,695	601,761
Less: allowance for impairment at 30 June	–	(36)	(1,075)	(1,111)
Loans outstanding at 30 June, net	484,644	2,386	113,620	600,650
Deposits at 30 June	297,863	8,854	217,571	524,288
Current accounts at 30 June	1,127	23,770	26,617	51,514
Guarantees received	–	356,925	300,000	656,925

The outstanding balances as at 31 December 2010 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 31 December, gross	483,997	63,897	64,020	611,914
Less: allowance for impairment at 31 December	–	(200)	(768)	(968)
Loans outstanding at 31 December, net	483,997	63,697	63,252	610,946
Deposits at 31 December	288,365	9,777	210,780	508,922
Current accounts at 31 December	1,270	23,554	21,488	46,312
Guarantees received	–	6,605	102,265	108,870

16 Related party transactions (continued)

Amounts included in the interim condensed 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:

	Participants	Key management personnel	Other	Total
	RUR'000	RUR'000	RUR'000	RUR'000
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 income	–	–	–	–
Other general administrative expenses	–	(281)	(68)	(349)

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:

	Participants	Key management personnel	Other	Total
	RUR'000	RUR'000	RUR'000	RUR'000
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	–	(1,297)	(678)	(1,975)

17. Maturity analysis

The following table shows monetary assets and liabilities by remaining contractual maturity dates as at 30 June 2011 (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	1,991,499	–	–	1,991,499	–	–	–	–	1,991,499
Mandatory cash balances with the Central Bank of the Russian Federation	103,088	49,369	177,796	330,253	86,867	–	86,867	–	417,120
Placements with banks	5,878	10,930	47,998	64,806	61,564	–	61,564	–	126,370
Financial instruments at fair value through profit or loss									
-Held by the Group	5,977,678	–	–	5,977,678	–	–	–	–	5,977,678
-Pledged under sale and repurchase agreements	6,654,999	–	–	6,654,999	–	–	–	–	6,654,999
Loans to customers	2,499,152	3,062,531	11,404,827	16,966,510	10,015,326	201,322	10,216,648	926,160	28,109,318
Other assets	605,450	9,421	91,798	706,669	30,457	–	30,457	–	737,126
Total assets	17,837,744	3,132,251	11,722,419	32,692,414	10,194,214	201,322	10,395,536	926,160	44,014,110
Liabilities									
Current accounts and deposits from customers	7,822,020	3,745,948	13,490,655	25,058,623	6,591,226	–	6,591,226	–	31,649,849
Deposits and balances from banks	4,907,311	12,672	50,408	4,970,391	75,745	–	75,745	–	5,046,136
Promissory notes	27,658	146,290	843,251	1,017,199	758,141	1,462	759,603	–	1,776,802
Subordinated debt	–	–	–	–	–	739,106	739,106	–	739,106
Other liabilities	55,161	380,486	101,700	537,347	–	–	–	–	537,347
Total liabilities	12,812,150	4,285,396	14,486,014	31,583,560	7,425,112	740,568	8,165,680	–	39,749,240
Net position as at 30 June 2011 (unaudited)	5,025,594	(1,153,145)	(2,763,595)	1,108,854	2,769,102	(539,246)	2,229,856	926,160	4,264,870
Cumulative gap as at 30 June 2011 (unaudited)	5,025,594	3,872,449	1,108,854	1,108,854	3,877,956	3,338,710	3,338,710	4,264,870	–
Net position as at 31 December 2010	6,977,942	(1,290,123)	(4,073,008)	1,614,811	1,096,174	(619,389)	476,785	715,210	2,806,806
Cumulative gap as at 31 December 2010	6,977,942	5,687,819	1,614,811	1,614,811	2,710,985	2,091,596	2,091,596	2,806,806	–

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 2011 and 31 December 2010, with the exception of securities included into financial instruments at fair value through profit or loss. As at 30 June 2011 and 31 December 2010 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 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.

18. Principal subsidiaries

Included in the table below is the list of the principal subsidiaries of the Group as at 30 June 2011:

	<i>Principal activity</i>	<i>Voting rights / Equity owned</i>	
		<i>30 June 2011</i>	<i>31 December 2010</i>
Leasing			
LLC "Leasing Company Razvitie"	Leasing	100.00% (subsidiary)	100.00% (subsidiary)
LLC "Regionalnaya Lisingovaya Compania"	Leasing	100.00% (subsidiary)	100.00% (subsidiary)
LLC "Sollers-Finance"	Leasing	50.00% (joint venture)	50.00% (joint venture)
Retail lending			
LLC "ARKA"	Retail lending	100.00% (subsidiary)	100.00% (subsidiary)
LLC "BKA"	Retail lending	100.00% (subsidiary)	100.00% (subsidiary)
LLC "Kreditniy Ostrov "Primorye"	Retail lending	100.00% (subsidiary)	100.00% (subsidiary)

19. Subsequent events

On 7 July 2011 at the extraordinary General meeting the participants decided to pay dividends from the net profit earned in 2010. The total amount of declared dividends was RUR 585 065 thousand and made in proportion to units of participants. Dividends were fully paid in July 2011.

On 9 August 2011 at the extraordinary General meeting the participants decided to increase charter capital by RUR 1 144 797 thousand from retained earnings of the Bank and allocate the increase in proportion to the share of participants units prior the increase.