

**CB “LOCKO-BANK” (CJSC)**

Interim Condensed Consolidated  
Financial Statements

for the six-month period ended  
30 June 2011

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## Shareholders, Officers and Auditors as at 30 June 2011

| Shareholders                      | % Ownership    | % Votes        |
|-----------------------------------|----------------|----------------|
| International Finance Corporation | 15.000%        | 15.000%        |
| Caplane Investments Limited       | 13.454%        | 13.454%        |
| Vios Holdings Limited             | 13.300%        | 13.300%        |
| Samsoniawood Holdings Limited     | 13.246%        | 13.246%        |
| East Capital Financials Fund AB   | 11.062%        | 11.062%        |
| Bulley Investments Limited        | 7.604%         | 7.604%         |
| Stanislav I. Boguslavsky          | 6.744%         | 6.744%         |
| Yoralin Limited                   | 6.460%         | 6.460%         |
| Andrei V. Kulikov                 | 5.586%         | 5.586%         |
| Vladimir Yu. Davydik              | 4.613%         | 4.613%         |
| Victor Yu. Davydik                | 1.923%         | 1.923%         |
| Anzhelika E. Semenova             | 1.008%         | 1.008%         |
|                                   | <b>100.00%</b> | <b>100.00%</b> |

### Board of Directors

Stanislav I. Boguslavsky  
 Victor Yu. Davydik  
 Dmitry V. Kryukov  
 Eric J. Rajendra  
 Hanna-Leena Loikkanen

### Executive Board

|                         |                 |
|-------------------------|-----------------|
| Dmitry V. Kryukov       | Chairman        |
| Leonid B. Vakeev        | Deputy Chairman |
| Natalia V. Isaeva       | Deputy Chairman |
| Andrey M. Lyushin       | Deputy Chairman |
| Konstantin E. Bogomazov | Deputy Chairman |
| Pavel A. Voznesenskiy   | Deputy Chairman |

### Auditors

ZAO KPMG, Moscow



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## **Independent Auditors' Report on Review of Interim Consolidated Financial Information**

To the Board of Directors of CB "Locko-Bank" (CJSC)

### *Introduction*

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

### *Scope of Review*

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

### *Conclusion*

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

**ZAO KPMG**

**ZAO KPMG**

29 August 2011

CB "Locko-bank" (CJSC)

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

|  | Notes | Six-Month<br>Period Ended<br>30 June 2011<br>Unaudited<br>RUB'000 | Six-Month<br>Period Ended<br>30 June 2010<br>Unaudited<br>RUB'000 |
|--|-------|---|---|
| Interest income  | 4     | 2,300,776   | 1,759,236   |
| Interest expense   | 4     | (1,188,004)   | (1,064,423)   |
| <b>Net interest income</b>   |       | <b>1,112,772</b>  | <b>694,813</b>  |
| Fee and commission income  | 5     | 334,185   | 228,688   |
| Fee and commission expense   | 6     | (72,890)  | (33,204)  |
| <b>Net fee and commission income</b>                                   |       | <b>261,295</b>  | <b>195,484</b>  |
| Net gain on financial instruments at fair value through profit or loss | 7     | 376,299   | 456,174   |
| Net foreign exchange income  | 8     | 107,356   | 121,771   |
| Loss on repurchase of issued loan participation notes                  |       | -   | (3,127)   |
| Other income   |       | 59,954  | 41,797  |
|  |       | <b>1,917,676</b>  | <b>1,506,912</b>  |
| Impairment losses  | 9     | (204,149)   | (263,767)   |
| General administrative expenses  | 10    | (981,680)   | (697,738)   |
| <b>Operating expenses</b>  |       | <b>(1,185,829)</b>  | <b>(961,505)</b>  |
| <b>Profit before taxes</b>   |       | <b>731,847</b>  | <b>545,407</b>  |
| Income tax expense   |       | (157,700)   | (132,626)   |
| <b>Profit</b>  |       | <b>574,147</b>  | <b>412,781</b>  |
| <b>Other comprehensive income</b>                                      |       |   |   |
| Revaluation of buildings, net of deferred tax                          |       | -   | 20,156  |
| <b>Total other comprehensive income, net of tax</b>                    |       | -   | <b>20,156</b>   |
| <b>Total comprehensive income</b>                                      |       | <b>574,147</b>  | <b>432,937</b>  |

The interim condensed consolidated financial statements were approved by the Executive Board of the Group on 29 August 2011.



Chairman of the Board  
Dmitry V. Kryukov

Chief Accountant  
Elena V. Kulikova

*CB "Locko-bank" (CJSC)*  
*Interim condensed consolidated statement of financial position as at 30 June 2011*

|   |       | <b>30 June 2011</b> | <b>31 December 2010</b> |
|---|-------|---------------------|-------------------------|
|   |       | <b>RUB'000</b>      | <b>RUB'000</b>          |
|   | Notes | <b>Unaudited</b>    |                         |
| <b>ASSETS</b>   |       |                     |                         |
| Cash  |       | 1,070,459           | 667,661                 |
| Due from the Central Bank of the Russian Federation               | 11    | 1,364,498           | 4,837,766               |
| Placements with banks and other financial institutions            | 12    | 1,952,381           | 2,143,781               |
| Financial instruments at fair value through profit or loss        | 13    | 11,079,411          | 8,595,114               |
| Loans to customers  | 14    | 35,503,899          | 33,069,837              |
| Property and equipment  |       | 420,272             | 409,668                 |
| Current income tax prepayment                                     |       | 11,652              | 35,055                  |
| Other assets  | 15    | 177,937             | 219,576                 |
| <b>Total Assets</b>   |       | <b>51,580,509</b>   | <b>49,978,458</b>       |
| <b>LIABILITIES AND EQUITY</b>                                     |       |                     |                         |
| Financial instruments at fair value through profit or loss        | 13    | 2,673               | 532                     |
| Deposits and balances from banks and other financial institutions | 16    | 10,900,290          | 9,907,663               |
| Amounts payable under repurchase agreements                       | 17    | 4,469,856           | 2,635,124               |
| Current accounts and deposits from customers                      | 18    | 20,904,305          | 24,422,333              |
| Own securities issued   | 19    | 8,357,690           | 6,715,332               |
| Current income tax payable  |       | 3,842               | 23                      |
| Deferred tax liability  |       | 160,027             | 134,178                 |
| Other liabilities   |       | 171,976             | 127,570                 |
| <b>Total Liabilities</b>  |       | <b>44,970,659</b>   | <b>43,942,755</b>       |
| <b>Equity</b>   |       |                     |                         |
| Share capital   | 20    | 3,381,047           | 3,381,047               |
| Additional paid-in-capital  |       | 67,476              | 67,476                  |
| Revaluation reserve for buildings                                 |       | 190,306             | 190,306                 |
| Retained earnings   |       | 2,971,021           | 2,396,874               |
| <b>Total Equity</b>   |       | <b>6,609,850</b>    | <b>6,035,703</b>        |
| <b>Total Liabilities and Equity</b>                               |       | <b>51,580,509</b>   | <b>49,978,458</b>       |
| Commitments and Contingencies                                     | 24-25 |                     |                         |

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.

*CB "Locko-bank" (CJSC)*

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

|  |       | <b>Six-Month<br/>Period Ended<br/>30 June 2011<br/>RUB'000<br/>Unaudited</b> | <b>Six-Month<br/>Period Ended<br/>30 June 2010<br/>RUB'000<br/>Unaudited</b> |
|--|-------|--|--|
|  | Notes |  |  |
| <b>Cash flows (used in)/from operating activities</b>            |       | <b>(6,272,380)</b>   | <b>2,541,316</b>   |
| <b>Cash flows used in investing activities</b>                   |       | <b>(45,125)</b>  | <b>(47,783)</b>  |
| <b>Cash flows from/(used in) financing activities</b>            |       | <b>2,500,000</b>   | <b>(2,173,063)</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>      |       | <b>(3,817,505)</b>   | <b>320,470</b>   |
| Effect of changes in exchange rates on cash and cash equivalents |       | (64,162)   | (125,774)  |
| Cash and cash equivalents at the beginning of the period         | 27    | 7,347,779  | 3,147,218  |
| <b>Cash and cash equivalents at the end of the period</b>        | 27    | <b>3,466,112</b>   | <b>3,341,914</b>   |

*CB “Locko-bank” (CJSC)*  
*Interim condensed consolidated statement of changes in equity for the six-month period ended 30 June 2011*

|  | Share capital<br>RUB'000 | Additional<br>paid-in-capital<br>RUB'000 | Revaluation reserve<br>for buildings<br>RUB'000 | Retained earnings<br>RUB'000 | Total<br>RUB'000 |
|--|--------------------------|--|---|------------------------------|------------------|
| <b>Balance at 1 January 2010</b>   | <b>3,381,047</b>         | <b>67,476</b>                            | <b>154,782</b>                                  | <b>1,591,263</b>             | <b>5,194,568</b> |
| <b>Total comprehensive income (Unaudited )</b>                                     |                          |  |   |                              |                  |
| Profit (Unaudited)   | -                        | -  | -   | 412,781                      | 412,781          |
| <b>Other comprehensive income (Unaudited)</b>                                      |                          |  |   |                              |                  |
| Revaluation of buildings, net of deferred tax of<br>RUB 5,039 thousand (Unaudited) | -                        | -  | 20,156  | -                            | 20,156           |
| Total other comprehensive income (Unaudited)                                       | -                        | -  | 20,156  | -                            | 20,156           |
| <b>Total comprehensive income (Unaudited)</b>                                      | <b>-</b>                 | <b>-</b>                                 | <b>20,156</b>                                   | <b>412,781</b>               | <b>432,937</b>   |
| <b>Balance at 30 June 2010 (Unaudited)</b>   | <b>3,381,047</b>         | <b>67,476</b>                            | <b>174,938</b>                                  | <b>2,004,044</b>             | <b>5,627,505</b> |
| <b>Balance at 1 January 2011</b>   | <b>3,381,047</b>         | <b>67,476</b>                            | <b>190,306</b>                                  | <b>2,396,874</b>             | <b>6,035,703</b> |
| <b>Total comprehensive income (Unaudited )</b>                                     |                          |  |   |                              |                  |
| Profit (Unaudited)   | -                        | -  | -   | 574,147                      | 574,147          |
| <b>Total comprehensive income (Unaudited )</b>                                     | <b>-</b>                 | <b>-</b>                                 | <b>-</b>  | <b>574,147</b>               | <b>574,147</b>   |
| <b>Balance at 30 June 2011 (Unaudited)</b>   | <b>3,381,047</b>         | <b>67,476</b>                            | <b>190,306</b>                                  | <b>2,971,021</b>             | <b>6,609,850</b> |

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



## **1 Background**

### **Principal activities**

The major operating companies of the “Locko-Bank” Group (the “Group”) are the parent company CB “Locko-bank” (CJSC) (the “Bank”), its 100% subsidiaries LLC “OFLK” and LLC “Locko-Invest” and its special purpose entity (“SPE”) Locko Finance Plc.

The Bank was established in the Russian Federation as a limited liability company, converting in November 2005 to a closed joint-stock company. The Bank was granted its general banking license in 2003. The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the “CBR”). The majority of the Bank’s assets and liabilities are located in the Russian Federation. The Bank is a member of the state deposit insurance system in the Russian Federation. The registered address of the head office is Gospitalnaya str., 14, Moscow, Russian Federation. The average number of persons employed by the Bank during the six-month period ended 30 June 2011 was 1,229 (2010: 960).

- LLC “OFLK” was established in the Russian Federation as a limited liability company in March 2002 and started performing active business operations in 2003. Its principal activity is the provision of finance leasing. The average number of persons employed during the six-month period ended 30 June 2011 was 8 (2010: 5).
- Locko Finance Plc. is special purpose entity established to facilitate the Group’s issue of loan participation notes. The entity is not owned by the Group and control arises through the predetermination of the entity’s activities.
- LLC “Locko-Invest” was established in the Russian Federation as a limited liability company in August 2009. Its principal activities are trust management and operations with securities. The average number of persons employed during the six-month period ended 30 June 2011 was 15 (2010: 5).

### **Russian business environment**

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These interim condensed consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

## **2 Basis of preparation**

### **Statement of compliance**

The accompanying interim condensed consolidated financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* and all applicable International Financial Reporting Standards (“IFRS”). They do not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010, as these interim condensed consolidated financial statements provide an update of previously reported financial information.

## **Basis of measurement**

The interim condensed consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value and buildings are stated at revalued amounts.

## **Functional and presentation currency**

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

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

## **Use of estimates and judgments**

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments made by management in the application of IFRS that have a significant effect on these interim condensed consolidated financial statements is described in note 14 "Loans to customers" in respect of the loan impairment allowance.

## **3 Significant accounting policies**

The accounting policies applied in these interim condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2010. Certain improvements to IFRS became effective from 1 January 2011 and are adopted by the Group since that date. These changes do not have a significant effect on the interim condensed consolidated financial statements.

## 4 Net interest income

|   | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|---|---|---|
| <b>Interest income</b>  |   |   |
| Loans to customers  | 2,186,669   | 1,643,893   |
| Net investment in leases  | 62,456  | 20,017  |
| Amounts receivable under reverse repurchase agreements            | 38,286  | 66,211  |
| Placements with banks and other financial institutions            | 13,365  | 29,115  |
|   | <b>2,300,776</b>  | <b>1,759,236</b>  |
| <b>Interest expense</b>   |   |   |
| Current accounts and deposits from customers                      | 479,272   | 517,225   |
| Own securities issued   | 353,012   | 232,364   |
| Deposits and balances from banks and other financial institutions | 297,236   | 307,884   |
| Amounts payable under repurchase agreements                       | 58,484  | 6,950   |
|   | <b>1,188,004</b>  | <b>1,064,423</b>  |

## 5 Fee and commission income

|                              | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|------------------------------|---|---|
| Settlements                  | 154,703   | 99,310  |
| Trade finance and guarantees | 66,620  | 48,956  |
| Cash transactions            | 54,991  | 40,938  |
| Currency exchange fees       | 24,349  | 33,220  |
| Other                        | 33,522  | 6,264   |
|                              | <b>334,185</b>  | <b>228,688</b>  |

## 6 Fee and commission expense

|                              | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|------------------------------|---|---|
| Settlements                  | 25,928  | 13,929  |
| Brokerage                    | 22,108  | 2,704   |
| Trade finance and guarantees | 16,317  | 8,369   |
| Cash transactions            | 5,812   | 5,003   |
| Other                        | 2,725   | 3,199   |
|                              | <b>72,890</b>   | <b>33,204</b>   |

## 7 Net gain on financial instruments at fair value through profit or loss

|                    | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|--------------------|---|---|
| Debt instruments   | 418,462   | 420,350   |
| Equity instruments | (42,163)  | 35,824  |
|                    | <b>376,299</b>  | <b>456,174</b>  |

As at 30 June 2011 the category Debt instruments in the table above includes interest income (coupon) on debt securities amounts to RUB 419, 689 thousands (30 June 2010: RUB 341,377 thousand).

## 8 Net foreign exchange income

|   | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|---|---|---|
| Income on spot transactions and derivatives               | 111,398   | 135,944   |
| Loss from revaluation of financial assets and liabilities | (4,042)   | (14,173)  |
|   | <b>107,356</b>  | <b>121,771</b>  |

## 9 Impairment losses

|                    | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|--------------------|---|---|
| Loans to customers | 200,952   | 256,961   |
| Other assets       | 3,197   | 6,806   |
|                    | <b>204,149</b>  | <b>263,767</b>  |

## 10 General administrative expenses

|  | <b>Six-Month<br/>Period Ended<br/>30 June 2011<br/>RUB'000<br/>Unaudited</b> | <b>Six-Month<br/>Period Ended<br/>30 June 2010<br/>RUB'000<br/>Unaudited</b> |
|--|--|--|
| Employee compensation                  | 687,182  | 454,967  |
| Occupancy                              | 89,655   | 57,527   |
| Communication and information services | 40,911   | 35,445   |
| Depreciation                           | 35,040   | 31,011   |
| Taxes other than on income             | 31,646   | 25,664   |
| Advertising and marketing              | 22,745   | 19,069   |
| Security                               | 19,952   | 19,919   |
| Repairs and maintenance                | 11,540   | 9,566  |
| Professional services                  | 11,470   | 12,232   |
| Insurance                              | 11,429   | 8,469  |
| Office supplies                        | 11,131   | 8,120  |
| Travel                                 | 4,209  | 3,662  |
| Other                                  | 4,770  | 12,087   |
|  | <b>981,680</b>   | <b>697,738</b>   |

## 11 Due from the Central Bank of the Russian Federation

|                         | <b>30 June 2011<br/>RUB'000<br/>Unaudited</b> | <b>31 December 2010<br/>RUB'000</b> |
|-------------------------|---|-------------------------------------|
| Minimum reserve deposit | 427,624                                       | 234,926                             |
| Nostro accounts         | 936,874                                       | 4,602,840                           |
|                         | <b>1,364,498</b>                              | <b>4,837,766</b>                    |

The mandatory reserve deposit is a non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted. The nostro accounts represent balances with the CBR related to settlement activity and are available for withdrawal at year end.

## 12 Placements with banks and other financial institutions

|   | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|---|--------------------------------------|-----------------------------|
| <i>Not impaired or overdue</i>          |                                      |                             |
| <b>Nostro accounts</b>                  |                                      |                             |
| OECD banks                              | 519,034                              | 1,008,617                   |
| Russian subsidiaries of OECD banks      | 21,464                               | 20,184                      |
| Largest 30 Russian banks                | 553,131                              | 699,495                     |
| Other Russian banks and stock exchanges | 363,717                              | 51,200                      |
| Other foreign banks                     | 1,433                                | 297,782                     |
| <b>Total nostro accounts</b>            | <b>1,458,779</b>                     | <b>2,077,278</b>            |
| <b>Loans and deposits</b>               |                                      |                             |
| Largest 30 Russian banks                | 161,230                              | 12,191                      |
| Other Russian banks                     | 332,372                              | 54,312                      |
| <b>Total loans and deposits</b>         | <b>493,602</b>                       | <b>66,503</b>               |
|   | <b>1,952,381</b>                     | <b>2,143,781</b>            |

### Concentration of placements with banks and other financial institutions

As at 30 June 2011 and 31 December 2010 the Group has placements with banks and other financial institutions, which individually comprised more than 10% of placements with banks and other financial institutions. The gross value of these balances as at 30 June 2011 and 31 December 2010 are as follows:

|   | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|---|--------------------------------------|-----------------------------|
| The Bank for Foreign Economic Affairs (VEB)         | 342,821                              | 320,121                     |
| Deutsche Bank Americas Trust Company, New York, USA | 267,476                              | 514,919                     |
| CJSC MICEX  | 245,192                              | -                           |
| Rosbank (OJSC JSCB)                                 | -                                    | 372,548                     |
| Commerzbank AG, Frankfurt am Main, Germany          | -                                    | 426,615                     |
|   | <b>855,489</b>                       | <b>1,634,203</b>            |

Nil balances in the table above denote that placements with the specified banks and other financial institutions do not individually comprise more than 10% of placements with banks and other financial institutions.

## 13 Financial instruments at fair value through profit or loss

|   | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|---|--------------------------------------|-----------------------------|
| <b>Assets</b>   |                                      |                             |
| <i>Held by the Group</i>  |                                      |                             |
| <b>Debt and other fixed-income instruments</b>  |                                      |                             |
| <b>- Government and municipal bonds</b>   |                                      |                             |
| Russian Government Federal bonds (OFZ)  | 184,990                              | 101,352                     |
| Municipal bonds   | 1,601                                | 8,193                       |
| <b>Total government and municipal bonds</b>   | 186,591                              | 109,545                     |
| <b>- Corporate bonds</b>  |                                      |                             |
| Rated BBB- to BBB+  | 717,874                              | 778,340                     |
| Rated BB- to BB+  | 367,767                              | 566,410                     |
| Rated B- to B+  | 1,062,168                            | 919,935                     |
| Not rated   | 712,227                              | 424,639                     |
| <b>Total corporate bonds</b>  | 2,860,036                            | 2,689,324                   |
| <b>- Promissory notes</b>   |                                      |                             |
| Rated BBB- to BBB+  | -                                    | 147,903                     |
| Rated BB- to BB+  | 469,238                              | 510,164                     |
| Rated B- to B+  | 506,884                              | 560,499                     |
| <b>Total promissory notes</b>   | 976,122                              | 1,218,566                   |
| <b>Equity investments</b>   |                                      |                             |
| Corporate shares  | 368,377                              | 210,398                     |
| <b>Derivative financial instruments</b>   |                                      |                             |
| Foreign currency contracts  | 4,535                                | 1,278                       |
|   | <b>4,395,661</b>                     | <b>4,229,111</b>            |
| <i>Blocked for undrawn facilities from the Central Bank of the Russian Federation</i> |                                      |                             |
| <b>Debt and other fixed-income instruments</b>  |                                      |                             |
| <b>- Corporate bonds</b>  |                                      |                             |
| Rated BBB- to BBB+  | 618,502                              | 311,328                     |
| Rated BB- to BB+  | 717,140                              | 438,325                     |
| Rated B- to B+  | 512,509                              | 378,988                     |
| Not rated   | -                                    | 279,553                     |
|   | <b>1,848,151</b>                     | <b>1,408,194</b>            |
| <i>Pledged under sale and repurchase agreements</i>                                   |                                      |                             |
| <b>Debt and other fixed-income instruments</b>  |                                      |                             |
| <b>- Government and municipal bonds</b>   |                                      |                             |
| Russian Government Federal bonds (OFZ)  | 1,806,684                            | -                           |
| Municipal bonds   | 63,304                               | -                           |
| <b>Total government and municipal bonds</b>   | 1,869,988                            | -                           |

|  | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|--|--------------------------------------|-----------------------------|
| <b>- Corporate bonds</b>   |                                      |                             |
| Rated A- to A+   | -                                    | 429,594                     |
| Rated BBB- to BBB+   | 852,090                              | 1,427,009                   |
| Rated BB- to BB+   | 725,123                              | 503,548                     |
| Rated B- to B+   | 1,103,102                            | 519,188                     |
| Not rated  | 285,296                              | 78,470                      |
| <b>Total corporate bonds</b>                                       | <b>2,965,611</b>                     | <b>2,957,809</b>            |
|  | <b>4,835,599</b>                     | <b>2,957,809</b>            |
| <b>Total financial assets at fair value through profit or loss</b> | <b>11,079,411</b>                    | <b>8,595,114</b>            |

All financial instruments at fair value through profit or loss are classified as held for trading.

As of 30 June 2011 financial instruments at fair value through profit and loss that were listed in the Lombard list of the CBR amount to RUB 8,106,637 thousand (31 December 2010: RUB 5,666,726 thousand).

|   | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|---|--------------------------------------|-----------------------------|
| <b>Liabilities</b>                      |                                      |                             |
| <b>Derivative financial instruments</b> |                                      |                             |
| Foreign currency contracts              | 2,673                                | 532                         |

### Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 30 June 2011 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

|                           | Notional amount                      |                             | Weighted average contractual exchange rates |                  |
|---------------------------|--------------------------------------|-----------------------------|---|------------------|
|                           | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 | 30 June 2011<br>Unaudited                   | 31 December 2010 |
| <b>Buy USD sell RUB</b>   |                                      |                             |   |                  |
| Less than three months    | 454,124                              | -                           | 28.07                                       | -                |
| <b>Sell USD buy RUB</b>   |                                      |                             |   |                  |
| Less than three months    | 22,334                               | 124,358                     | 27.92                                       | 30.52            |
| <b>Buy Euros sell RUB</b> |                                      |                             |   |                  |
| Less than three months    | 916,963                              | 112,835                     | 40.39                                       | 40.30            |



|                           | Notional amount |                  | Weighted average contractual exchange rates |                  |
|---------------------------|-----------------|------------------|---|------------------|
|                           | 30 June 2011    | 31 December 2010 | 30 June 2011                                | 31 December 2010 |
|                           | RUB'000         | RUB'000          |   |                  |
|                           | Unaudited       |                  | Unaudited                                   |                  |
| <b>Sell Euros buy RUB</b> |                 |                  |   |                  |
| Less than three months    | 4,043           | 32,472           | 40.43                                       | 40.59            |
| <b>Buy USD sell Euros</b> |                 |                  |   |                  |
| Less than three months    | 230,643         | -                | 0.69  | -                |
| <b>Buy Euros sell USD</b> |                 |                  |   |                  |
| Less than three months    | 109,252         | -                | 1.44  | -                |

## 14 Loans to customers

|   | 30 June 2011      | 31 December 2010  |
|---|-------------------|-------------------|
|   | RUB'000           | RUB'000           |
|   | Unaudited         |                   |
| <b>Commercial loans</b>                   |                   |                   |
| Large sized enterprises                   | 11,904,686        | 11,677,991        |
| Upper stratum of medium sized enterprises | 11,669,066        | 11,866,003        |
| Lower stratum of medium sized enterprises | 4,127,074         | 3,753,495         |
| Small enterprises                         | 3,657,737         | 3,241,475         |
| <b>Total loans to legal entities</b>      | <b>31,358,563</b> | <b>30,538,964</b> |
| <b>Individuals</b>                        | <b>5,667,514</b>  | <b>3,893,362</b>  |
| <b>Gross loans to customers</b>           | <b>37,026,077</b> | <b>34,432,326</b> |
| Impairment allowance                      | (1,522,178)       | (1,362,489)       |
| <b>Net loans to customers</b>             | <b>35,503,899</b> | <b>33,069,837</b> |

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

|  | Six-Month Period Ended 30 June 2011 | Six-Month Period Ended 30 June 2010 |
|--|-------------------------------------|-------------------------------------|
|  | RUB'000                             | RUB'000                             |
|  | Unaudited                           | Unaudited                           |
| Balance at the beginning of the period | 1,362,489                           | 1,597,026                           |
| Net charge for the period              | 200,952                             | 256,961                             |
| Write-offs                             | (41,263)                            | (209,132)                           |
| Balance at the end of the period       | <b>1,522,178</b>                    | <b>1,644,855</b>                    |

As at 30 June 2011, interest accrued on impaired loans net of impairment allowance amounts to RUB 37,773 thousand (31 December 2010: RUB 25,491 thousand).

## Net investment in leases

Included within loans to customers are net investments in leases. As at 30 June 2011 and 31 December 2010 the gross investment in leases and the related unearned finance income and impairment allowance are as follows:

|  | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|--|--------------------------------------|-----------------------------|
| <b>Net investment in leases</b>                |                                      |                             |
| Gross investment in leases                     | 731,527                              | 656,399                     |
| Unearned finance income                        | (167,112)                            | (171,230)                   |
| <b>Net investment in leases</b>                | <b>564,415</b>                       | <b>485,169</b>              |
| Impairment allowance                           | (3,217)                              | (3,348)                     |
| <b>Net investment in leases less allowance</b> | <b>561,198</b>                       | <b>481,821</b>              |

The contractual maturity of the net investment in leases as at 30 June 2011 is as follows:

|                        | Gross lease<br>receivable<br>RUB'000<br>Unaudited | Unearned<br>income<br>RUB'000<br>Unaudited | Impairment<br>allowance<br>RUB'000<br>Unaudited | Net investment in<br>leases<br>RUB'000<br>Unaudited |
|------------------------|---|--|---|---|
| Less than one year     | 450,673   | (99,652)                                   | (2,001)   | 349,020   |
| One year to five years | 268,149   | (65,697)                                   | (1,154)   | 201,298   |
| More than five years   | 12,705  | (1,763)                                    | (62)  | 10,880  |
|                        | <b>731,527</b>                                    | <b>(167,112)</b>                           | <b>(3,217)</b>                                  | <b>561,198</b>                                      |

The contractual maturity of the net investment in leases as at 31 December 2010 is as follows:

|                        | Gross lease<br>receivable<br>RUB'000 | Unearned<br>income<br>RUB'000 | Impairment<br>allowance<br>RUB'000 | Net investment in<br>leases<br>RUB'000 |
|------------------------|--------------------------------------|-------------------------------|------------------------------------|--|
| Less than one year     | 330,793                              | (98,100)                      | (1,606)                            | 231,087                                |
| One year to five years | 307,250                              | (70,011)                      | (1,637)                            | 235,602                                |
| More than five years   | 18,356                               | (3,119)                       | (105)                              | 15,132                                 |
|                        | <b>656,399</b>                       | <b>(171,230)</b>              | <b>(3,348)</b>                     | <b>481,821</b>                         |

## Credit quality of loan portfolio

The following table provides information on the credit quality of loans to customers as at 30 June 2011:

|   | Gross<br>loans       | Impairment<br>allowance | Net<br>loans         | Impairment<br>allowance to<br>gross loans<br>% |
|---|----------------------|-------------------------|----------------------|--|
|   | RUB'000<br>Unaudited | RUB'000<br>Unaudited    | RUB'000<br>Unaudited | Unaudited                                      |
| <b>Loans to large sized enterprises</b>                         |                      |                         |                      |  |
| Loans for which no impairment has been identified               | 11,904,686           | (328,202)               | 11,576,484           | 2.76%  |
| <b>Total loans to large sized enterprises</b>                   | <b>11,904,686</b>    | <b>(328,202)</b>        | <b>11,576,484</b>    | <b>2.76%</b>                                   |
| <b>Loans to upper stratum of medium sized enterprises</b>       |                      |                         |                      |  |
| - not past due  | 11,630,037           | (366,530)               | 11,263,507           | 3.2%   |
| - overdue less than 30 days                                     | 31,693               | (9,440)                 | 22,253               | 29.8%  |
| - overdue more than 1 year                                      | 7,336                | (7,336)                 | -                    | 100.0%   |
| <b>Total loans to upper stratum of medium sized enterprises</b> | <b>11,669,066</b>    | <b>(383,306)</b>        | <b>11,285,760</b>    | <b>3.28%</b>                                   |
| <b>Loans to lower stratum of medium sized enterprises</b>       |                      |                         |                      |  |
| - not past due  | 4,046,824            | (80,690)                | 3,966,134            | 1.99%  |
| - overdue less than 30 days                                     | 5,080                | (1,209)                 | 3,871                | 23.79%   |
| - overdue more than 30 and less than 90 days                    | 61,245               | (26,711)                | 34,534               | 43.61%   |
| - overdue more than 90 and less than 180 days                   | 5,418                | (2,886)                 | 2,532                | 53.27%   |
| - overdue more than 180 days and less than 1 year               | 4,375                | (4,280)                 | 95                   | 97.83%   |
| - overdue more than 1 year                                      | 4,132                | (4,132)                 | -                    | 100.00%  |
| <b>Total loans to lower stratum of medium sized enterprises</b> | <b>4,127,074</b>     | <b>(119,908)</b>        | <b>4,007,166</b>     | <b>2.91%</b>                                   |
| <b>Loans to small enterprises</b>                               |                      |                         |                      |  |
| - not past due  | 3,392,912            | (100,096)               | 3,292,816            | 2.95%  |
| - overdue less than 30 days                                     | 40,642               | (7,455)                 | 33,187               | 18.34%   |
| - overdue more than 30 and less than 90 days                    | 44,285               | (20,817)                | 23,468               | 47.01%   |
| - overdue more than 90 and less than 180 days                   | 51,177               | (30,189)                | 20,988               | 58.99%   |
| - overdue more than 180 days and less than 1 year               | 28,354               | (23,438)                | 4,916                | 82.66%   |
| - overdue more than 1 year                                      | 100,367              | (100,367)               | -                    | 100.00%  |
| <b>Total loans to small enterprises</b>                         | <b>3,657,737</b>     | <b>(282,362)</b>        | <b>3,375,375</b>     | <b>7.72%</b>                                   |
| <b>Loans to individuals</b>                                     |                      |                         |                      |  |
| - not past due  | 5,288,087            | (287,168)               | 5,000,919            | 5.43%  |
| - overdue less than 30 days                                     | 127,331              | (13,058)                | 114,273              | 10.26%   |
| - overdue more than 30 and less than 90 days                    | 126,090              | (42,356)                | 83,734               | 33.59%   |
| - overdue more than 90 and less than 180 days                   | 21,520               | (13,582)                | 7,938                | 63.11%   |
| - overdue more than 180 days and less than 1 year               | 28,536               | (22,515)                | 6,021                | 78.90%   |
| - overdue more than 1 year                                      | 75,950               | (29,721)                | 46,229               | 39.13%   |
| <b>Total loans to individuals</b>                               | <b>5,667,514</b>     | <b>(408,400)</b>        | <b>5,259,114</b>     | <b>7.21%</b>                                   |
| <b>Total loans to customers</b>                                 | <b>37,026,077</b>    | <b>(1,522,178)</b>      | <b>35,503,899</b>    | <b>4.11%</b>                                   |

The following table provides information on the credit quality of loans to customers as at 31 December 2010:

|   | Gross<br>loans    | Impairment<br>allowance | Net<br>loans      | Impairment<br>allowance to<br>gross loans |
|---|-------------------|-------------------------|-------------------|---|
|   | RUB'000           | RUB'000                 | RUB'000           | %   |
| <b>Loans to large sized enterprises</b>                         |                   |                         |                   |   |
| Loans for which no impairment has been identified               | 11,677,991        | (299,309)               | 11,378,682        | 2.56%                                     |
| <b>Total loans to large sized enterprises</b>                   | <b>11,677,991</b> | <b>(299,309)</b>        | <b>11,378,682</b> | <b>2.56%</b>                              |
| <b>Loans to upper stratum of medium sized enterprises</b>       |                   |                         |                   |   |
| - not past due  | 11,858,667        | (434,679)               | 11,423,988        | 3.67%                                     |
| - overdue more than 180 days and less than 1 year               | 7,336             | (7,336)                 | -                 | 100.00%                                   |
| <b>Total loans to upper stratum of medium sized enterprises</b> | <b>11,866,003</b> | <b>(442,015)</b>        | <b>11,423,988</b> | <b>3.73%</b>                              |
| <b>Loans to lower stratum of medium sized enterprises</b>       |                   |                         |                   |   |
| - not past due  | 3,732,067         | (74,495)                | 3,657,572         | 2.00%                                     |
| - overdue less than 30 days                                     | 6,590             | (1,224)                 | 5,366             | 18.57%                                    |
| - overdue more than 30 and less than 90 days                    | 1,656             | (740)                   | 916               | 44.69%                                    |
| - overdue more than 90 and less than 180 days                   | 6,328             | (4,707)                 | 1,621             | 74.38%                                    |
| - overdue more than 180 days and less than 1 year               | 1,640             | (1,425)                 | 215               | 86.89%                                    |
| - overdue more than 1 year                                      | 5,214             | (5,214)                 | -                 | 100.00%                                   |
| <b>Total loans to lower stratum of medium sized enterprises</b> | <b>3,753,495</b>  | <b>(87,805)</b>         | <b>3,665,690</b>  | <b>2.34%</b>                              |
| <b>Loans to small enterprises</b>                               |                   |                         |                   |   |
| - not past due  | 2,954,247         | (93,748)                | 2,860,499         | 3.17%                                     |
| - overdue less than 30 days                                     | 49,691            | (8,876)                 | 40,815            | 17.86%                                    |
| - overdue more than 30 and less than 90 days                    | 55,395            | (24,988)                | 30,407            | 45.11%                                    |
| - overdue more than 90 and less than 180 days                   | 46,408            | (27,383)                | 19,025            | 59.00%                                    |
| - overdue more than 180 days and less than 1 year               | 63,751            | (54,268)                | 9,483             | 85.12%                                    |
| - overdue more than 1 year                                      | 71,983            | (71,983)                | -                 | 100.00%                                   |
| <b>Total loans to small enterprises</b>                         | <b>3,241,475</b>  | <b>(281,246)</b>        | <b>2,960,229</b>  | <b>8.68%</b>                              |
| <b>Loans to individuals</b>                                     |                   |                         |                   |   |
| - not past due  | 3,634,981         | (176,425)               | 3,458,556         | 4.85%                                     |
| - overdue less than 30 days                                     | 75,249            | (6,379)                 | 68,870            | 8.48%                                     |
| - overdue more than 30 and less than 90 days                    | 80,575            | (17,399)                | 63,176            | 21.59%                                    |
| - overdue more than 90 and less than 180 days                   | 18,033            | (9,408)                 | 8,625             | 52.17%                                    |
| - overdue more than 180 days and less than 1 year               | 8,922             | (7,721)                 | 1,201             | 86.54%                                    |
| - overdue more than 1 year                                      | 75,602            | (34,782)                | 40,820            | 46.01%                                    |
| <b>Total loans to individuals</b>                               | <b>3,893,362</b>  | <b>(252,114)</b>        | <b>3,641,248</b>  | <b>6.48%</b>                              |
| <b>Total loans to customers</b>                                 | <b>34,432,326</b> | <b>(1,362,489)</b>      | <b>33,069,837</b> | <b>3.96%</b>                              |

### Analysis of movements in the impairment allowance

Movements in the impairment allowance for loans to customers for the six-month period ended 30 June 2011 are as follows:

|  | <b>Loans to large sized enterprises</b> | <b>Loans to upper stratum of medium sized enterprises</b> | <b>Loans to lower stratum of medium sized enterprises</b> | <b>Loans to small enterprises</b> | <b>Loans to individuals</b> | <b>Total</b>     |
|--|---|---|---|-----------------------------------|-----------------------------|------------------|
|  | <b>RUB '000</b>                         | <b>RUB '000</b>   | <b>RUB '000</b>   | <b>RUB '000</b>                   | <b>RUB '000</b>             | <b>RUB '000</b>  |
|  | <b>Unaudited</b>                        | <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Unaudited</b>                  | <b>Unaudited</b>            | <b>Unaudited</b> |
| Balance at the beginning of the period | 299,309                                 | 442,016   | 87,805  | 281,246                           | 252,113                     | 1,362,489        |
| Net charge/(recovery)                  | 28,893                                  | (58,710)  | 32,103  | 32,632                            | 166,034                     | 200,952          |
| Write-offs                             | -                                       | -   | -   | (31,516)                          | (9,747)                     | (41,263)         |
| Balance at the end of the period       | <b>328,202</b>                          | <b>383,306</b>  | <b>119,908</b>  | <b>282,362</b>                    | <b>408,400</b>              | <b>1,522,178</b> |

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

|  | <b>Loans to large sized enterprises</b> | <b>Loans to upper stratum of medium sized enterprises</b> | <b>Loans to lower stratum of medium sized enterprises</b> | <b>Loans to small enterprises</b> | <b>Loans to individuals</b> | <b>Total</b>     |
|--|---|---|---|-----------------------------------|-----------------------------|------------------|
|  | <b>RUB '000</b>                         | <b>RUB '000</b>   | <b>RUB '000</b>   | <b>RUB '000</b>                   | <b>RUB '000</b>             | <b>RUB '000</b>  |
|  | <b>Unaudited</b>                        | <b>Unaudited</b>  | <b>Unaudited</b>  | <b>Unaudited</b>                  | <b>Unaudited</b>            | <b>Unaudited</b> |
| Balance at the beginning of the period | 449,964                                 | 337,400   | 75,191  | 442,940                           | 291,531                     | 1,597,026        |
| Net charge/(recovery)                  | 51,234                                  | 154,281   | 54,617  | 81,611                            | (84,782)                    | 256,961          |
| Write-offs                             | (119,109)                               | -   | (4,493)   | (81,301)                          | (4,229)                     | (209,132)        |
| Balance at the end of the period       | <b>382,089</b>                          | <b>491,681</b>  | <b>125,315</b>  | <b>443,250</b>                    | <b>202,520</b>              | <b>1,644,855</b> |

## Industry analysis of the loan portfolio

Loans are issued to customers who operate in the following economic sectors:

|  | 30 June 2011      |              | 31 December 2010  |              |
|--|-------------------|--------------|-------------------|--------------|
|  | RUB'000           | %            | RUB'000           | %            |
|  | Unaudited         |              |                   |              |
| <b>Loans to individuals</b>                            | 5,667,514         | 15.30        | 3,893,362         | 11.30        |
| <b>Large sized, medium sized and small enterprises</b> |                   |              |                   |              |
| Construction   | 4,762,465         | 12.9         | 4,887,228         | 14.2         |
| Food and beverages trading                             | 4,527,409         | 12.2         | 4,647,207         | 13.5         |
| Electric and consumer goods trading                    | 3,689,476         | 10.0         | 2,982,799         | 8.7          |
| Cars, tyres and spare parts trading                    | 3,307,064         | 8.9          | 2,251,000         | 6.5          |
| Rent of real estate                                    | 1,616,936         | 4.4          | 1,968,025         | 5.7          |
| Transport  | 1,605,327         | 4.3          | 1,528,691         | 4.4          |
| Construction and decoration materials trading          | 1,355,737         | 3.7          | 800,554           | 2.3          |
| Instruments and equipment production and trading       | 1,332,527         | 3.6          | 1,137,326         | 3.3          |
| Paintwork materials production and trading             | 1,086,349         | 2.9          | 885,306           | 2.6          |
| Agricultural products trading                          | 940,437           | 2.5          | 1,606,567         | 4.7          |
| Sanitary and cleaning maintenance on transport         | 817,661           | 2.2          | 665,268           | 1.9          |
| Catering, hotel and entertainment                      | 782,532           | 2.1          | 1,357,388         | 4.0          |
| Production of construction and decoration materials    | 710,706           | 2.0          | 516,612           | 1.5          |
| Collector services                                     | 653,541           | 1.9          | 932,512           | 2.7          |
| Chemicals production and trading                       | 535,637           | 1.4          | 863,282           | 2.5          |
| Household goods  | 533,227           | 1.5          | 520,070           | 1.5          |
| Textile production and trading                         | 416,137           | 1.1          | 384,985           | 1.1          |
| Food production  | 314,871           | 0.9          | 505,435           | 1.5          |
| Financial intermediary                                 | 310,000           | 0.8          | 310,000           | 0.9          |
| Metal and metal-roll trading                           | 239,579           | 0.6          | 168,012           | 0.5          |
| Rent of vehicles and equipment                         | 169,455           | 0.3          | 149,276           | 0.4          |
| Warehouse services                                     | 120,225           | 0.3          | 147,511           | 0.4          |
| Commercial education                                   | 60,493            | 0.2          | 30,000            | 0.1          |
| Medication trading                                     | 38,478            | 0.1          | 332,588           | 1.0          |
| Other  | 1,432,294         | 3.9          | 961,322           | 2.8          |
|  | <b>37,026,077</b> | <b>100.0</b> | <b>34,432,326</b> | <b>100.0</b> |
| Impairment allowance                                   | (1,522,178)       |              | (1,362,489)       |              |
|  | <b>35,503,899</b> |              | <b>33,069,837</b> |              |

## Geographical analysis of the loan portfolio

Loans are issued to customers, who operate in the following Federal regions:

|                              | <b>30 June 2011</b> |              | <b>31 December 2010</b> |              |
|------------------------------|---------------------|--------------|-------------------------|--------------|
|                              | <b>RUB'000</b>      | <b>%</b>     | <b>RUB'000</b>          | <b>%</b>     |
|                              | <b>Unaudited</b>    |              |                         |              |
| Central Federal region       | 27,763,778          | 75.0         | 27,151,952              | 78.9         |
| Volga Federal region         | 3,883,438           | 10.5         | 3,048,253               | 8.9          |
| Southern Federal region      | 1,994,504           | 5.4          | 1,508,416               | 4.4          |
| North-western Federal region | 1,846,774           | 5.0          | 1,313,025               | 3.8          |
| Ural Federal region          | 830,781             | 2.2          | 850,457                 | 2.5          |
| Siberian Federal region      | 706,802             | 1.9          | 560,223                 | 1.5          |
|                              | <b>37,026,077</b>   | <b>100.0</b> | <b>34,432,326</b>       | <b>100.0</b> |
| Impairment allowance         | (1,522,178)         |              | (1,362,489)             |              |
|                              | <b>35,503,899</b>   |              | <b>33,069,837</b>       |              |

## Loan maturities

The maturity of the loan portfolio is presented in note 28, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

## 15 Other assets

|   | 30 June 2011   | 31 December 2010 |
|---|----------------|------------------|
|   | RUB'000        | RUB'000          |
|   | Unaudited      |                  |
| Advances and accounts receivable                          | 38,622         | 44,510           |
| Receivables under agreement for sale of promissory notes  | 35,355         | 54,000           |
| VAT receivable  | 32,825         | 35,397           |
| Settlement commission                                     | 24,249         | 15,769           |
| Penalty fees and commissions on loan agreements           | 9,874          | 10,275           |
| Collateral accepted as security for commercial loans      | 7,021          | 6,146            |
| Settlements with suppliers, customers and sub-contractors | 6,688          | 32,858           |
| Assets for leasing  | 2,237          | 2,237            |
| Other   | 21,066         | 18,384           |
|   | <b>177,937</b> | <b>219,576</b>   |

Analysis of movements in the impairment allowance:

|                                    | Six-Month<br>Period Ended<br>30 June 2011 | Six-Month<br>Period Ended<br>30 June 2010 |
|------------------------------------|---|---|
|                                    | RUB'000                                   | RUB'000                                   |
|                                    | Unaudited                                 | Unaudited                                 |
| Balance at the beginning of period | -   | -   |
| Net charge                         | 3,197                                     | 6,806                                     |
| Write-offs                         | (3,197)                                   | (6,806)                                   |
| Balance at the end of period       | -   | -   |

## 16 Deposits and balances from banks and other financial institutions

|  | 30 June 2011      | 31 December 2010 |
|--|-------------------|------------------|
|  | RUB'000           | RUB'000          |
|  | Unaudited         |                  |
| Due to International Finance Corporation (IFC) and development banks           | 4,510,005         | 4,754,738        |
| Term deposits of banks   | 3,156,833         | 2,056,650        |
| Syndicated loans   | 1,550,053         | 1,744,683        |
| Due to banks under post-finance agreements                                     | 1,117,314         | 736,208          |
| Subordinated loan from European Bank for Reconstruction and Development (EBRD) | 561,340           | 609,290          |
| Vostro accounts  | 4,745             | 6,094            |
|  | <b>10,900,290</b> | <b>9,907,663</b> |

As at 30 June 2011 the amount due to IFC and development banks comprises 14 loans as follows:

- 3 loans denominated in RUB from EBRD (RUB 2,364,327 thousand and a current average interest rate of 7.5%);
- 1 loan denominated in RUB from Russian Bank for Development (RUB 1,000,000 thousand and a current average interest rate of 6.0%);



- 7 loans denominated in RUB from Eurasian Development Bank (RUB 409,001 thousand and a current average interest rate of 6.5%);
- 1 loan denominated in USD from National City Bank (RUB 267,619 thousand and a current interest rate of 3.4%);
- 1 loan denominated in USD from IFC (RUB 238,698 thousand and a current interest rate of 4.7%);
- 1 loan denominated in USD from KfW Bankengruppe (RUB 230,360 thousand and a current interest rate of 4.2%).

On 23 February 2007 the Group received a USD denominated subordinated loan of USD 20,000 thousand from EBRD with a maturity in 2014 and a current interest rate of 5.7%.

As at 30 June 2011 the Group had 2 syndicated loans from IFC:

- one tranche denominated in RUB (RUB 90,659 thousand) with a current interest rate of 9.7% and another tranche denominated in USD (RUB 35,535 thousand) with a current interest rate of 3.7%;
- one tranche denominated in RUB (RUB 444,888 thousand) with a current interest rate of 8.2% and two other tranches denominated in USD: RUB 844,374 thousand with a current interest rate of 4.0% and RUB 134,597 thousand with a current interest rate of 4.5%.

Due to banks under post-finance agreements represent financing received from banks for documentary credit transactions.

### **Concentration of deposits and balances from banks and other financial institutions**

As at 30 June 2011 and 31 December 2010 deposits and balances from banks and other financial institutions, which individually comprised more than 10% of deposits and balances from banks and other financial institutions, are as follows:

|                              | <b>30 June 2011</b> | <b>31 December 2010</b> |
|------------------------------|---------------------|-------------------------|
|                              | <b>RUB'000</b>      | <b>RUB'000</b>          |
|                              | <b>Unaudited</b>    |                         |
| EBRD                         | 2,925,667           | 3,118,113               |
| IFC                          | 1,788,751           | 2,090,872               |
| Russian Bank for Development | -                   | 1,171,323               |
|                              | <b>4,714,418</b>    | <b>6,380,308</b>        |

Nil balances as at 30 June 2011 for Russian Bank for Development in the above table denote that deposits and balances from this bank did not individually comprise more than 10% of deposits and balances from banks and other financial institutions as at 30 June 2011.

## 17 Amounts payable under repurchase agreements

|   | 30 June 2011     | 31 December 2010 |
|---|------------------|------------------|
|   | RUB'000          | RUB'000          |
|   | Unaudited        |                  |
| Amounts payable to banks and other financial institutions | 4,469,856        | 2,635,124        |
|   | <b>4,469,856</b> | <b>2,635,124</b> |

### Collateral

As at 30 June 2011 and 31 December 2010 the Group pledged certain securities as collateral for amounts payable under REPO deals (refer to note 13).

## 18 Current accounts and deposits from customers

|   | 30 June 2011      | 31 December 2010  |
|---|-------------------|-------------------|
|   | RUB'000           | RUB'000           |
|   | Unaudited         |                   |
| <b>Current accounts and demand deposits</b>       |                   |                   |
| Legal entities                                    | 9,523,295         | 11,203,349        |
| Individuals                                       | 857,356           | 721,735           |
| <b>Total current accounts and demand deposits</b> | <b>10,380,651</b> | <b>11,925,084</b> |
| <b>Term deposits</b>                              |                   |                   |
| Legal entities                                    | 2,805,470         | 5,806,770         |
| Individuals                                       | 7,718,184         | 6,690,479         |
| <b>Total term deposits</b>                        | <b>10,523,654</b> | <b>12,497,249</b> |
|   | <b>20,904,305</b> | <b>24,422,333</b> |

### Blocked accounts

As of 30 June 2011, the Group maintained customer deposit balances of RUB 972,320 thousand (31 December 2010: RUB 2,316,533 thousand) that serve as collateral for loans and off-balance sheet credit instruments granted by the Group.

## 19 Own securities issued

|                       | 30 June 2011     | 31 December 2010 |
|-----------------------|------------------|------------------|
|                       | RUB'000          | RUB'000          |
|                       | Unaudited        |                  |
| RUB denominated bonds | 5,152,891        | 2,580,275        |
| Promissory notes      | 3,204,799        | 4,135,057        |
|                       | <b>8,357,690</b> | <b>6,715,332</b> |

In February 2011 the Group issued RUB denominated bonds. The table below provides a summary of RUB denominated bonds as at 30 June 2011:

| Nominal amount of the initial issue | Current issued amount | Issue date | Maturity date | Interest rate | Interest payment |
|-------------------------------------|-----------------------|------------|---------------|---------------|------------------|
| 2,500,000,000 RUB                   | 2,500,000,000 RUB     | 10.02.2011 | 06.02.2014    | 8.50%         | Semi-annual      |

Interest rate of 8.50% is determined for the two forthcoming coupons following 30 June 2011. The RUB denominated bonds bear an opportunity for early repayment in February 2012.

In July 2010 the Group issued RUB denominated bonds. The table below provides a summary of RUB denominated bonds as at 30 June 2011:

| Nominal amount of the initial issue | Current issued amount | Issue date | Maturity date | Interest rate | Interest payment |
|-------------------------------------|-----------------------|------------|---------------|---------------|------------------|
| 2,500,000,000 RUB                   | 2,500,000,000 RUB     | 29.07.2010 | 23.07.2015    | 9.25%         | Semi-annual      |

Interest rate of 9.25% is determined for the forthcoming coupon following 30 June 2011. The RUB denominated bonds bear an opportunity for early repayment in August 2011.

## 20 Share capital

### Issued capital

The authorised, issued and outstanding share capital comprises 2.6 million ordinary shares (31 December 2010: 2.6 million). All shares have a par value of RUB 1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

## 21 Analysis by segment

The Group identified four operating segments that represent key business lines. Each segment reports directly to a responsible member of the Board. Segments and the respective responsible members of the Board are presented below:

- Corporate segment – includes deposit taking from and lending to large sized enterprises and upper stratum of medium sized enterprises, trade finance, issue of guarantees. This segment reports to Deputy Chairman of the Executive Board Natalia V. Isaeva.
- Small and medium sized enterprises (“SME”) segment – includes deposit taking from and lending to SME and individual entrepreneurs. This segment reports directly to the Chairman of the Executive Board Dmitry V. Kryukov.
- Retail segment – includes deposit taking from and lending to individual clients, including VIP clients. This segment reports directly to the Deputy Chairman of the Executive Board Konstantin E. Bogomazov.
- Financial segment – includes deposit taking from and lending to banks and other financial institutions, securities and currency trading, issue of guarantees, trade finance, issue of own debt securities. This segment reports to the Deputy Chairman of the Executive Board

Leonid B. Vakeev and the Deputy Chairman of the Executive Board Pavel A. Voznesenskiy.

Segment results are reviewed by the Executive Board at least quarterly. Management reporting is based on accounting records prepared in accordance with IFRS, adjusted as necessary for inter-segment settlements in accordance with internal regulations of the Group. Management assesses segment performance using a number of key indicators, regularly monitored based on monthly, quarterly, and annual internal management reports.

Segment information for the main reportable segments for the six-month period ended 30 June 2011 is set below:

| <b>RUB'000</b>   | <b>Corporate<br/>segment<br/>Unaudited</b> | <b>SME<br/>segment<br/>Unaudited</b> | <b>Retail<br/>segment<br/>Unaudited</b> | <b>Financial<br/>segment<br/>Unaudited</b> | <b>Unallocated<br/>Unaudited</b> | <b>Total<br/>Unaudited</b> |
|--|--|--------------------------------------|---|--|----------------------------------|----------------------------|
| Interest income  | 1,371,637                                  | 524,687                              | 336,470                                 | 67,982                                     | -                                | 2,300,776                  |
| Net fee and commission income  | 166,320                                    | 59,324                               | 20,427                                  | 17,065                                     | (1,841)                          | 261,295                    |
| Net gain on financial instruments at fair value through profit or loss | -  | -                                    | -                                       | 376,299                                    | -                                | 376,299                    |
| Net foreign exchange income  | 4,996                                      | 1,875                                | 23,032                                  | 48,454                                     | 28,999                           | 107,356                    |
| Other income   | 3,799                                      | 6,276                                | 10,998                                  | 3,973                                      | 34,908                           | 59,954                     |
| <b>Revenue</b>   | <b>1,546,752</b>                           | <b>592,162</b>                       | <b>390,927</b>                          | <b>513,773</b>                             | <b>62,066</b>                    | <b>3,105,680</b>           |
| Interest expense   | (159,152)                                  | (9,661)                              | (321,792)                               | (697,399)                                  | -                                | (1,188,004)                |
| Impairment losses  | 29,817                                     | (64,735)                             | (166,034)                               | -  | (3,197)                          | (204,149)                  |
| General administrative expenses  | (165,742)                                  | (178,809)                            | (270,050)                               | (94,236)                                   | (272,843)                        | (981,680)                  |
| <b>Operating expenses</b>  | <b>(295,077)</b>                           | <b>(253,205)</b>                     | <b>(757,876)</b>                        | <b>(791,635)</b>                           | <b>(276,040)</b>                 | <b>(2,373,833)</b>         |
| Inter-segment (loss)/gain  | (570,345)                                  | (206,870)                            | 114,475                                 | 543,867                                    | 118,873                          | -                          |
| <b>Segment result</b>  | <b>681,330</b>                             | <b>132,087</b>                       | <b>(252,474)</b>                        | <b>266,005</b>                             | <b>(95,101)</b>                  | <b>731,847</b>             |
| Income tax expense   |  |                                      |   |  |                                  | (157,700)                  |
| <b>Profit</b>  |  |                                      |   |  |                                  | <b>574,147</b>             |

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

| <b>RUB'000</b>   | <b>Corporate<br/>segment<br/>Unaudited</b> | <b>SME<br/>segment<br/>Unaudited</b> | <b>Retail<br/>segment<br/>Unaudited</b> | <b>Financial<br/>segment<br/>Unaudited</b> | <b>Unallocated<br/>Unaudited</b> | <b>Total<br/>Unaudited</b> |
|--|--|--------------------------------------|---|--|----------------------------------|----------------------------|
| Interest income  | 1,050,031                                  | 420,182                              | 193,695                                 | 95,328                                     | -                                | 1,759,236                  |
| Net fee and commission income  | 131,663                                    | 34,675                               | 11,756                                  | 18,754                                     | (1,364)                          | 195,484                    |
| Net gain on financial instruments at fair value through profit or loss | -  | -                                    | -                                       | 456,174                                    | -                                | 456,174                    |
| Loss on repurchase of issued loan participation notes                  | -  | -                                    | -                                       | (3,127)                                    | -                                | (3,127)                    |
| Net foreign exchange income  | 11,994                                     | -                                    | 13,705                                  | 96,072                                     | -                                | 121,771                    |
| Other income   | 9,967                                      | 8,516                                | 16,355                                  | 682  | 6,277                            | 41,797                     |
| <b>Revenue</b>   | <b>1,203,655</b>                           | <b>463,373</b>                       | <b>235,511</b>                          | <b>663,883</b>                             | <b>4,913</b>                     | <b>2,571,335</b>           |
| Interest expense   | (175,161)                                  | (8,006)                              | (341,858)                               | (539,398)                                  | -                                | (1,064,423)                |
| Impairment losses  | (205,515)                                  | (136,228)                            | 84,782                                  | -  | (6,806)                          | (263,767)                  |
| General administrative expenses  | (101,513)                                  | (139,350)                            | (161,265)                               | (79,304)                                   | (216,306)                        | (697,738)                  |
| <b>Operating expenses</b>  | <b>(482,189)</b>                           | <b>(283,584)</b>                     | <b>(418,341)</b>                        | <b>(618,702)</b>                           | <b>(223,112)</b>                 | <b>(2,025,928)</b>         |
| Inter-segment gain/(loss)  | (314,907)                                  | (175,876)                            | 194,940                                 | 246,653                                    | 49,190                           | -                          |
| <b>Segment result</b>  | <b>406,559</b>                             | <b>3,913</b>                         | <b>12,110</b>                           | <b>291,834</b>                             | <b>(169,009)</b>                 | <b>545,407</b>             |
| Income tax expense   |  |                                      |   |  |                                  | (132,626)                  |
| <b>Profit</b>  |  |                                      |   |  |                                  | <b>412,781</b>             |

Segment breakdown of assets and liabilities as at 30 June 2011 and 31 December 2010 is set out below:

|                          | <b>30 June 2011</b>      | <b>31 December 2010</b>  |
|--------------------------|--------------------------|--------------------------|
|                          | <b>RUB'000</b>           | <b>RUB'000</b>           |
|                          | <b>Unaudited</b>         |                          |
| <b>Assets</b>            |                          |                          |
| Corporate segment        | 22,862,246               | 22,802,670               |
| SME segment              | 7,382,541                | 6,625,919                |
| Retail segment           | 5,259,113                | 3,641,248                |
| Financial segment        | 14,396,290               | 15,576,661               |
| Unallocated assets       | 1,680,319                | 1,331,960                |
| <b>Total Assets</b>      | <b><u>51,580,509</u></b> | <b><u>49,978,458</u></b> |
| <b>Liabilities</b>       |                          |                          |
| Corporate segment        | 11,691,876               | 16,091,993               |
| SME segment              | 1,334,821                | 1,157,760                |
| Retail segment           | 8,575,540                | 7,412,214                |
| Financial segment        | 23,032,577               | 19,019,017               |
| Unallocated assets       | 335,845                  | 261,771                  |
| <b>Total Liabilities</b> | <b><u>44,970,659</u></b> | <b><u>43,942,755</u></b> |

### **Information about major customers**

Substantially all revenues from external customers relate to residents of the Russian Federation and substantially all non-current assets are located in the Russian Federation.

## **22 Risk management**

### **Risk management policies and procedures**

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Executive Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Executive Board is also responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (“ALCO”). In order to facilitate efficient and effective decision-making, the Group has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisational structure. Apart from the standard credit and market risk analysis, the Risk Control Department and Treasury Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

## **Audit and Risk Committee (“ARCO”)**

ARCO is responsible for monitoring of and control over the accuracy of the financial statements, analysis of the internal financial control system, risk management system and efficiency of internal audit. This committee advises the Board of Directors on terms of appointment of external auditors and monitors external auditors’ performance. ARCO reports directly to the Board of Directors.

## **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Overall authority for market risk is vested in ALCO, chaired by the Chairman of the Executive Board. Market risk limits are approved by ALCO based on recommendations of the Treasury Department.

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

The management of the interest rate risk component of market risk is monitored by interest rate gap analysis and is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

The Group also utilizes Value-at-Risk (“VaR”) methodology to monitor market risk of its trading positions.

## ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise. Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

## ***Currency risk***

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS. For further information on the exposure to currency risk at 30 June 2011 refer to notes 13 and 29.

## **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised

contractual commitments), including guidelines to limit portfolio concentration and the establishment of Credit Committees at various levels, which actively monitor credit risk in accordance with authority delegated to them. The credit policy is reviewed and approved by the Board of Directors. Members of the Credit Committees are approved by the Executive Board.

The credit policy establishes:

- general approaches for issuing loans to various segments of legal entities and individuals;
- procedures for review and approval of loan/credit applications;
- methodology for the credit assessment of borrowers (corporate, SME and individuals);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures;
- requirements for concentration risk of loan portfolio in context of industries, credit exposure on one borrower (or group of related borrowers), credit exposure on largest 10 and 20 borrowers (or group of related borrowers).

The Group grants loans to large sized, medium sized and small enterprises as well as to individuals.

Loans to small enterprises and the lower stratum of medium sized enterprises are issued by specialized local subdivisions of the Group which operate in all regions in which the Group is present.

There are several levels of decision making limits regarding loans approval to small enterprises and lower stratum of medium sized enterprises.

Authorization powers for decision making regarding loans approval:

- For loans over 1.5 million RUB but not exceeding 5 million RUB – authorization powers for decision making regarding standardised loan products are vested with a range of regional branch directors;
- For loans not exceeding 7 million RUB – authorization powers for decision making regarding loan issue are vested with heads of the Risk Control Department;
- For loans not exceeding 35 million RUB – authorization powers for decision making regarding loan issue are vested with the Small Credit Committee;
- For loans exceeding 35 million RUB – authorization powers for decision making regarding loan issue are vested with the Credit Committee.

All the loan/credit applications exceeding 7 million RUB are subject for control (underwriting) of the Risk Control Department. All the decisions to grant loans exceeding 7 million RUB are taken considering motivated judgement by the Risk Control Department.

Loan monitoring is performed in compliance with internal regulations of the Group. Frequency of monitoring of financial position and collateral depends upon credit risk concentration and level of credit risk of the client.

A special unit within the SME Lending Department and the Bad Debt Collection Department are responsible for recovery of overdue and impaired loans.

Analysis of loan portfolio credit risk is regularly performed by the Risk Control Department.



Both the Central Office and local subdivisions grant loans to the upper stratum of medium sized enterprises and large sized enterprises. Credit analysis is performed by the Central Office specialists of the Corporate Lending Department irrespective of the location of the client.

The Risk Control Department underwrites the loan/credit applications and produces opinion over the level of credit risk based on opinions of the Corporate Lending Department and other subdivisions.

There are 2 levels of decision making limits regarding loans issuance to the upper stratum of medium sized enterprises and large sized enterprises:

- The Small Credit Committee has authority to approve loans not exceeding 30 million RUB;
- The Credit Committee has authority to approve loans exceeding 30 million RUB.

The Group regularly monitors loans in compliance with internal regulations on monitoring of financial performance and collateral. The monitoring is performed at least once a quarter or more frequently depending on the credit risk exposure and risk of collateral.

Only the Central Office may grant loans to VIP individuals. Major clients of the segment are top management and owners of the organizations serviced in the Group. The client risk is assessed with due regard to the risk assessment of the organization credited by the Group. Income and assets of the client are taken into consideration. Depending on limits either the Credit Committee or the Small Credit Committee decide on granting loans to VIP clients based on opinions of the Client Business Development Department and the Risk Control Department. Risk and lending structure assessment is made individually with the following factors accounted for:

- Confirmation of borrower's income;
- Assets owned;
- Stable and sufficient sources to repay the loan.

There are 2 levels of decision making limits regarding loans issuance to VIP individuals:

- The Small Credit Committee has authority to approve loans not exceeding 30 million RUB;
- The Credit Committee has authority to approve loans exceeding 30 million RUB.

Decisions on granting loans to individuals (retail loans) are made at various levels of the Group's structure depending on limits set in terms of amounts and types of loans (i.e. loans on vehicles, consumer loans, credit cards limits). Decisions are made based on client's credit rating, motivated judgement of the Retail Business Department, the opinion of the Economic Security Service and the opinion of the Risk Control Department. Assessment criteria for individuals include the general assessment of the borrower, his or her personal quality, financial position and professional reputation, assessment of borrower's creditworthiness, assessment of the collateral offered by the borrower and also assessment of the factors that may affect stability of the borrower's income during the loan repayment period. All decisions are made by the Central Office.

The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to note 14 "Loans to customers".

## **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Group. It is unusual for financial

institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Executive Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for a portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

Trading derivative liabilities forming part of the Group's proprietary trading operations are expected to be closed out prior to contractual maturity. Hence, in respect of these derivative liabilities the maturity analysis in the previous tables reflects the fair values at the reporting date since contractual maturities are not reflective of the liquidity risk exposure arising from these positions. These fair values are disclosed in the less than one month column. In addition, trading derivative liabilities comprise also derivatives that are entered into by the Group with its customers. In respect of these liabilities, which are usually not closed out prior to contractual maturity, the maturity analysis in the previous tables reflects the contractual undiscounted cash flows as the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

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 customers 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 customers accounts provide a long-term and stable source of funding for the Group.

The Group has undrawn lines of credit with the CBR and other financial institutions. 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 and other financial institutions.

The key measure used by the Group for managing liquidity risk is the current liquidity ratio calculated in accordance with statutory regulations established by the CBR (N3 ratio). The Group was in compliance with these ratios during the six-month period ended 30 June 2011 and the year ended 31 December 2010.

## **23 Capital management**

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 30 June 2011, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the six-month period ended 30 June 2011 and the year ended 31 December 2010.

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

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 30 June 2011 and 31 December 2010:

|  | <b>30 June 2011</b><br><b>RUB'000</b><br><b>Unaudited</b> | <b>31 December 2010</b><br><b>RUB'000</b> |
|--|---|---|
| Tier 1 capital   |   |   |
| Share capital  | 3,381,047   | 3,381,047                                 |
| Additional paid-in-capital   | 67,476  | 67,476                                    |
| Retained earnings  | 2,971,021   | 2,396,874                                 |
| <b>Total tier 1 capital</b>  | <b>6,419,544</b>  | <b>5,845,397</b>                          |
| Tier 2 capital   |   |   |
| Revaluation reserve for building   | 190,306   | 190,306                                   |
| Subordinated debt excluding accrued interest   | 329,960   | 418,598                                   |
| <b>Total tier 2 capital</b>  | <b>520,266</b>  | <b>608,904</b>                            |
| Investments in equity of other banks and financial institutions  | (31,117)  | -   |
| <b>Total capital</b>   | <b>6,908,693</b>  | <b>6,454,301</b>                          |
| <b>Risk-weighted assets</b>  |   |   |
| Banking book   | 38,143,082  | 35,804,659                                |
| Trading book   | 9,743,102   | 7,970,740                                 |
| <b>Total risk weighted assets</b>  | <b>47,886,184</b>   | <b>43,775,399</b>                         |
| <b>Total tier 1 capital expressed as a percentage of risk-weighted assets</b><br><b>(tier 1 capital ratio)</b> | <b>13.4%</b>  | <b>13.4%</b>                              |
| <b>Total capital expressed as a percentage of risk-weighted assets</b><br><b>(total capital ratio)</b>         | <b>14.4 %</b>   | <b>14.7%</b>                              |

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. Tier 1 capital ratio under these covenants should be not less than 8% and total capital ratio should not be less than 12%. Further covenants require that the Group's statutory capital ratio should not be less than 10% and the capital adequacy ratio calculated in accordance with methodology of IFC, the lender, should not be less than 12%. The Group has complied with all externally imposed capital requirements during the six-month period ended 30 June 2011 and the year ended 31 December 2010.

## 24 Commitments

At any time the Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to three years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

|                                  | 30 June 2011<br>RUB'000<br>Unaudited | 31 December 2010<br>RUB'000 |
|----------------------------------|--------------------------------------|-----------------------------|
| <b>Contracted amount</b>         |                                      |                             |
| Undrawn loan commitments         | 3,980,578                            | 3,593,657                   |
| Guarantees and letters of credit | 3,730,165                            | 4,194,520                   |
|                                  | <b>7,710,743</b>                     | <b>7,788,177</b>            |

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

## 25 Contingencies

### Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has full coverage for its premises and equipment and cash in transit. The Group does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position. Starting from April 2006 the Group has an insurance agreement with Ingosstrakh which gives insurance coverage through a public (or third party) liability policy, bankers blanket bond (BBB), electronic and computer crime insurance (ECC) policies, covering the following risks: public (civil) liability, dishonest or fraudulent acts of employees, loss of money (valuables) and losses resulting from forged or altered valuable documents, securities and counterfeit currency, electronic fraud.

### Litigation

Management is unaware of any significant actual, pending or threatened claims against the Group.

### Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to

review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

## 26 Related party transactions

### Transactions with the members of the Board of Directors and the Executive Board

Total remuneration, included in personnel expenses, for the members of the Board of Directors and the Executive Board for the six-month periods ended 30 June 2011 and 2010 is shown below:

|                                   | Six-Month<br>Period Ended<br>30 June 2011<br>RUB'000<br>Unaudited | Six-Month<br>Period Ended<br>30 June 2010<br>RUB'000<br>Unaudited |
|-----------------------------------|---|---|
| Members of the Board of Directors | 11,545  | 8,600   |
| Members of the Executive Board    | 29,163  | 23,363  |
|                                   | <b>40,708</b>   | <b>31,963</b>   |

The above amounts include non-cash benefits paid to members of the Board of Directors and the Executive Board.

The outstanding balances and average interest rates as at 30 June 2011 and 31 December 2010 for transactions with the members of the Board of Directors and the Executive Board are as follows:

|   | 30 June 2011         |                          | 31 December 2010 |                          |
|---|----------------------|--------------------------|------------------|--------------------------|
|   | RUB'000<br>Unaudited | Average<br>interest rate | RUB'000          | Average<br>interest rate |
| <b>Interim condensed consolidated<br/>statement of financial position</b> |                      |                          |                  |                          |
| <b>Assets</b>   |                      |                          |                  |                          |
| Loans to customers  | 116                  | 20.0%                    | 65               | 20.0%                    |
| <b>Liabilities</b>  |                      |                          |                  |                          |
| Current accounts and deposits from<br>customers                           | 79,524               | 12.9%                    | 75,611           | 12.9%                    |
| <b>Unaudited</b>  |                      |                          |                  |                          |
| <b>Unrecognized commitments</b>   |                      |                          |                  |                          |
| Undrawn loan commitments  | 3,904                |                          | 3,721            |                          |

Other amounts included in profit or loss as at 30 June 2011 in relation to transactions with the members of the Board of Directors and the Executive Board are as follows:

|   | <b>Six-Month<br/>Period Ended<br/>30 June 2011<br/>RUB'000<br/>Unaudited</b> | <b>Six-Month<br/>Period Ended<br/>30 June 2010<br/>RUB'000<br/>Unaudited</b> |
|---|--|--|
| <b>Interim condensed consolidated statement of comprehensive income</b> |  |  |
| Interest income   | 1  | 822  |
| Interest expense  | (4,536)  | (4,445)  |
| Fee and commission income   | 22   | 141  |

### Transactions with shareholders and other related parties

The outstanding balances and the related average interest rates as at 30 June 2011 and related profit or loss amounts of transactions for the six-month period ended 30 June 2011 with shareholders and other related parties are as follows. Other related parties include entities controlled by shareholders of the Group.

|   | <b>Shareholders</b> |                                      | <b>Other related parties</b> |                                      | <b>Total</b>   |
|---|---------------------|--------------------------------------|------------------------------|--------------------------------------|----------------|
|   | <b>RUB'000</b>      | <b>Average<br/>interest<br/>rate</b> | <b>RUB'000</b>               | <b>Average<br/>interest<br/>rate</b> | <b>RUB'000</b> |
| <b>Unaudited</b>  |                     |                                      |                              |                                      |                |
| <b>Interim condensed consolidated statement of financial position</b>   |                     |                                      |                              |                                      |                |
| <b>Assets</b>   |                     |                                      |                              |                                      |                |
| Loans to customers  | 161                 | 19.5%                                | 236,131                      | 13.5%                                | 236,292        |
| <b>Liabilities</b>  |                     |                                      |                              |                                      |                |
| Current accounts and deposits from customers                            | 132,998             | 5.3%                                 | 176,709                      | 7.1%                                 | 309,707        |
| Deposits and balances from banks and other financial institutions       | 1,788,751           | 5.5%                                 | -                            | -                                    | 1,788,751      |
| <b>Unrecognized commitments</b>   |                     |                                      |                              |                                      |                |
| Undrawn loan commitments  | 1,717               |                                      | 166,993                      |                                      | 168,710        |
| <b>Interim condensed consolidated statement of comprehensive income</b> |                     |                                      |                              |                                      |                |
| Interest income   | 73                  |                                      | 23,194                       |                                      | 23,267         |
| Interest expense  | (54,792)            |                                      | (3,850)                      |                                      | (58,642)       |
| Fee and commission income   | 227                 |                                      | 5,746                        |                                      | 5,973          |
| Fee and commission expense  | (6,055)             |                                      | (23)                         |                                      | (6,078)        |

The outstanding balances and the related average interest rates as at 31 December 2010 and related profit or loss amounts of transactions for the six-month period ended 30 June 2010 with shareholders and other related parties are as follows. Other related parties include entities controlled by shareholders of the Group.

|   | Shareholders |                       | Other related parties |                       | Total     |
|---|--------------|-----------------------|-----------------------|-----------------------|-----------|
|   | RUB'000      | Average interest rate | RUB'000               | Average interest rate | RUB'000   |
| <b>Consolidated statement of financial position</b>                     |              |                       |                       |                       |           |
| <b>Assets</b>   |              |                       |                       |                       |           |
| Loans to customers  | 307          | 18.3%                 | 308,326               | 13.5%                 | 308,633   |
| <b>Liabilities</b>  |              |                       |                       |                       |           |
| Current accounts and deposits from customers                            | 152,197      | 6.3%                  | 207,106               | 5.8%                  | 359,303   |
| Deposits and balances from banks and other financial institutions       | 2,124,165    | 5.4%                  | -                     | -                     | 2,124,165 |
| <b>Unaudited</b>  |              |                       |                       |                       |           |
| <b>Unrecognized commitments</b>   |              |                       |                       |                       |           |
| Undrawn loan commitments  | 1,669        |                       | 65,191                |                       | 66,860    |
| Guarantees and letters of credit  | -            |                       | 3,767                 |                       | 3,767     |
| <b>Unaudited</b>  |              |                       |                       |                       |           |
| <b>Interim condensed consolidated statement of comprehensive income</b> |              |                       |                       |                       |           |
| Interest income   | 57           |                       | 31,635                |                       | 31,692    |
| Interest expense  | (28,146)     |                       | (3,296)               |                       | (31,442)  |
| Fee and commission income   | 187          |                       | 23,101                |                       | 23,288    |
| Fee and commission expense  | (4,046)      |                       | (711)                 |                       | (4,757)   |

## 27 Cash and cash equivalents

Cash and cash equivalents as at 30 June 2011 and 31 December 2010 as shown in the interim condensed consolidated statement of cash flows are composed of the following items:

|  | 30 June 2011     | 31 December 2010 |
|--|------------------|------------------|
|  | RUB'000          | RUB'000          |
|  | Unaudited        |                  |
| Cash   | 1,070,459        | 667,661          |
| Due from the Central Bank of the Russian Federation – nostro accounts    | 936,874          | 4,602,840        |
| Placements with banks and other financial institutions – nostro accounts | 1,458,779        | 2,077,278        |
|  | <b>3,466,112</b> | <b>7,347,779</b> |



## **28 Maturity analysis**

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 customers 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 customers accounts provide a long-term and stable source of funding for the Group.

The following table shows assets and liabilities by their remaining contractual maturity as at 30 June 2011. The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

The table below show all assets and liabilities as at 30 June 2011 by their remaining contractual maturities with the exception of securities included in financial assets at fair value through profit or loss that are approved by the Central Bank of the Russian Federation as collateral for its loans. Such securities are shown in the category “Less than 1 month”.

*CB "Locko-bank" (CJSC)*  
*Notes to, and forming part of, the interim condensed consolidated financial statements*  
*for the six-month period ended 30 June 2011*

|   | <b>Less than<br/>1 month<br/>RUB'000<br/>Unaudited</b> | <b>1 to 3<br/>months<br/>RUB'000<br/>Unaudited</b> | <b>3 months<br/>to 1 year<br/>RUB'000<br/>Unaudited</b> | <b>1 to 5<br/>years<br/>RUB'000<br/>Unaudited</b> | <b>More than<br/>5 years<br/>RUB'000<br/>Unaudited</b> | <b>No<br/>maturity<br/>RUB'000<br/>Unaudited</b> | <b>Overdue<br/>RUB'000<br/>Unaudited</b> | <b>Total<br/>RUB'000<br/>Unaudited</b> |
|---|--|--|---|---|--|--|--|--|
| <b>Assets</b>   |  |  |   |   |  |  |  |  |
| Cash  | 1,070,459  | -  | -   | -   | -  | -  | -  | 1,070,459                              |
| Due from the Central Bank of the Russian Federation               | 936,874  | -  | -   | -   | -  | 427,624  | -  | 1,364,498                              |
| Placements with banks and other financial institutions            | 1,942,351  | -  | 10,030  | -   | -  | -  | -  | 1,952,381                              |
| Financial instruments at fair value through profit or loss        | 8,111,169  | 168,558  | 963,165   | 1,053,979   | 509,042  | 273,498  | -  | 11,079,411                             |
| Loans to customers  | 4,592,962  | 7,652,937  | 12,126,695  | 10,213,559  | 301,704  | -  | 616,042                                  | 35,503,899                             |
| Property and equipment  | -  | -  | -   | -   | -  | 420,272  | -  | 420,272                                |
| Current income tax prepayment                                     | -  | 11,652   | -   | -   | -  | -  | -  | 11,652                                 |
| Other assets  | 22,730   | 99,328   | 35,710  | 20,169  | -  | -  | -  | 177,937                                |
| <b>Total assets</b>   | <b>16,676,545</b>                                      | <b>7,932,475</b>                                   | <b>13,135,600</b>                                       | <b>11,287,707</b>                                 | <b>810,746</b>   | <b>1,121,394</b>                                 | <b>616,042</b>                           | <b>51,580,509</b>                      |
| <b>Liabilities</b>  |  |  |   |   |  |  |  |  |
| Financial instruments at fair value through profit or loss        | 2,673  | -  | -   | -   | -  | -  | -  | 2,673                                  |
| Deposits and balances from banks and other financial institutions | 1,504,153  | 905,020  | 5,453,548   | 3,037,569   | -  | -  | -  | 10,900,290                             |
| Amounts payable under repurchase agreements                       | 4,469,856  | -  | -   | -   | -  | -  | -  | 4,469,856                              |
| Current accounts and deposits from customers                      | 11,119,543   | 1,055,456  | 8,037,770   | 691,536   | -  | -  | -  | 20,904,305                             |
| Own securities issued   | 147,071  | 529,503  | 1,874,273   | 5,806,843   | -  | -  | -  | 8,357,690                              |
| Current income tax payable  | -  | 3,842  | -   | -   | -  | -  | -  | 3,842                                  |
| Deferred tax liability  | -  | -  | -   | -   | -  | 160,027  | -  | 160,027                                |
| Other liabilities   | 110,470  | 18,537   | 42,392  | 577   | -  | -  | -  | 171,976                                |
| <b>Total liabilities</b>  | <b>17,353,766</b>                                      | <b>2,512,358</b>                                   | <b>15,407,983</b>                                       | <b>9,536,525</b>                                  | <b>-</b>   | <b>160,027</b>                                   | <b>-</b>                                 | <b>44,970,659</b>                      |
| <b>Net position as at 30 June 2011</b>                            | <b>(677,221)</b>                                       | <b>5,420,117</b>                                   | <b>(2,272,383)</b>                                      | <b>1,751,182</b>                                  | <b>810,746</b>   | <b>961,367</b>                                   | <b>616,042</b>                           | <b>6,609,850</b>                       |
| <b>Cumulative liquidity position as at 30 June 2011</b>           | <b>(677,221)</b>                                       | <b>4,742,896</b>                                   | <b>2,470,513</b>  | <b>4,221,695</b>                                  | <b>5,032,441</b>                                       | <b>5,993,808</b>                                 | <b>6,609,850</b>                         |  |
| Net position as at 31 December 2010                               | (74,519)   | 2,988,852  | 599,451   | 720,996   | 856,853  | 653,531  | 290,539                                  | 6,035,703                              |
| Cumulative liquidity position as at 31 December 2010              | (74,519)   | 2,914,333  | 3,513,784   | 4,234,780   | 5,091,633  | 5,745,164  | 6,035,703                                |  |

## 29 Currency analysis

The following table shows the currency structure of assets and liabilities as at 30 June 2011:

|  | <b>RUB<br/>RUB'000<br/>Unaudited</b> | <b>USD<br/>RUB'000<br/>Unaudited</b> | <b>Other<br/>currencies<br/>RUB'000<br/>Unaudited</b> | <b>Total<br/>RUB'000<br/>Unaudited</b> |
|--|--------------------------------------|--------------------------------------|---|--|
| <b>Assets</b>  |                                      |                                      |   |  |
| Cash   | 808,405                              | 140,372                              | 121,682   | 1,070,459                              |
| Due from the Central Bank of the Russian Federation                | 1,364,498                            | -                                    | -   | 1,364,498                              |
| Placements with banks and other financial institutions             | 908,467                              | 764,703                              | 279,211   | 1,952,381                              |
| Financial instruments at fair value through profit or loss         | 11,003,258                           | 63,225                               | 12,928  | 11,079,411                             |
| Loans to customers   | 28,295,261                           | 6,214,544                            | 994,094   | 35,503,899                             |
| Property and equipment   | 420,272                              | -                                    | -   | 420,272                                |
| Current income tax prepayment                                      | 11,652                               | -                                    | -   | 11,652                                 |
| Other assets   | 171,667                              | 5,141                                | 1,129   | 177,937                                |
| <b>Total assets</b>  | <b>42,983,480</b>                    | <b>7,187,985</b>                     | <b>1,409,044</b>                                      | <b>51,580,509</b>                      |
| <b>Liabilities</b>   |                                      |                                      |   |  |
| Financial instruments at fair value through profit or loss         | 21                                   | 2,618                                | 34  | 2,673                                  |
| Deposits and balances from banks and other financial institutions  | 5,513,705                            | 4,962,097                            | 424,488   | 10,900,290                             |
| Amounts payable under repurchase agreements                        | 4,469,856                            | -                                    | -   | 4,469,856                              |
| Current accounts and deposits from customers                       | 16,430,271                           | 2,704,417                            | 1,769,617   | 20,904,305                             |
| Own securities issued  | 7,663,787                            | 654,337                              | 39,566  | 8,357,690                              |
| Current income tax payable   | 3,842                                | -                                    | -   | 3,842                                  |
| Deferred tax liability   | 160,027                              | -                                    | -   | 160,027                                |
| Other liabilities  | 151,583                              | 16,721                               | 3,672   | 171,976                                |
| <b>Total liabilities</b>   | <b>34,393,092</b>                    | <b>8,340,190</b>                     | <b>2,237,377</b>                                      | <b>44,970,659</b>                      |
| <b>Net recognized position as at 30 June 2011</b>                  | <b>8,590,388</b>                     | <b>(1,152,205)</b>                   | <b>(828,333)</b>                                      | <b>6,609,850</b>                       |
| <b>Net unrecognized position as at 30 June 2011</b>                | <b>(1,344,710)</b>                   | <b>553,181</b>                       | <b>791,529</b>  | <b>-</b>                               |
| <b>Net recognized and unrecognized position as at 30 June 2011</b> | <b>7,245,678</b>                     | <b>(599,024)</b>                     | <b>(36,804)</b>                                       | <b>6,609,850</b>                       |
| Net recognized and unrecognized position as at 31 December 2010    | 6,630,681                            | (554,246)                            | (40,732)  | 6,035,703                              |