

BANK VOZROZHDENIE

**International Financial Reporting Standards
Interim Quarterly Financial Statements
(unaudited)**

30 June 2010

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Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of financial position as at June 30, 2010

(in millions of Russian Rubles)

1USD = 31,1954 Russian Ruble as at 30 June 2010

1USD = 30,2442 Russian Ruble as at 31 December 2009

	June 30, 2010	December 31, 2009
	(unaudited)	
ASSETS		
Cash and cash equivalents	27 143	34 101
Mandatory cash balances with the Central Bank of the Russian Federation	994	868
Trading securities held to maturity	16 105	9 756
Due from other banks	314	6 363
Loans and advances to customers	91 780	85 205
Investment securities available for sale	2 030	1 312
Investment securities held to maturity	308	-
Premises, equipment and intangible assets	3 179	3 102
Other financial assets	1 097	1 236
Other assets	4 017	3 660
TOTAL ASSETS	146 967	145 603
LIABILITIES		
Due to other banks	1 840	4 368
Customer accounts	118 075	113 129
Debt securities in issue	3 677	6 364
Subordinated loans	4 633	4 578
Other financial liabilities	1 955	576
Other liabilities	321	302
TOTAL LIABILITIES	130 501	129 317
SHAREHOLDERS' EQUITY		
Share capital	250	250
Share premium	7 306	7 306
Retained earnings	8 864	8 660
Other reserves/Funds	46	70
TOTAL SHAREHOLDERS' EQUITY	16 466	16 286
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	146 967	145 603

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Comprehensive Income as at June 30, 2010

(in millions of Russian Rubles) 1USD = 31,1954 Russian Ruble as at 30 June 2010 1USD = 31,2904 Russian Ruble as at 30 June 2009	For 6M ended June 30		For 3M ended June 30	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
Interest income	7 094	8 815	3 453	4 250
Interest expense	(4 257)	(4 428)	(2 074)	(2 198)
Net interest income	2 837	4 387	1 379	2 052
Provision/Recovery of provision for loan impairment	(1 292)	(2 895)	(667)	(1 249)
Net interest income after provision for loan impairment	1 545	1 492	712	803
Fee and commission income	1 957	1 936	1 057	996
Fee and commission expense	(155)	(133)	(82)	(71)
(Losses less gains)/ Gains less losses arising from trading securities	(32)	259	(5)	128
Income from trading in foreign currencies	1 281	2 216	744	725
Expenses from trading in foreign currencies	(1 142)	(1 919)	(660)	(586)
Foreign exchange translation losses less gains	10	38	7	(40)
Gains less losses from disposals of investment securities available for sale	-	18	-	-
Impairment of investment securities available for sale	(16)	-	(16)	-
Dividend income	-	-	-	-
Other operating income	71	40	43	21
Administrative and other operating expenses	(3 210)	(2 912)	(1 679)	(1 522)
Profit before tax	309	1 035	121	454
Income tax expense	(91)	(393)	-	(198)
PROFIT FOR THE YEAR	218	642	121	256
Other comprehensive income:				
Available-for-sale investments:				
Gains less losses arising during the year	(16)	12	(26)	20
Income tax recorded directly in other comprehensive income	(8)	-	(10)	(4)
Other comprehensive income for the year	(24)	12	(36)	16
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	194	654	85	272
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RUB per share)				
Ordinary shares	9	26	5	10
Preference shares with fixed dividend amount	11	27	7	12

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Changes in Equity for the period ended on June 30, 2010

	Share capital	Share premium	Other reserves/funds	Retained earnings	Total equity
Balance at December 31, 2008	250	7 306	52	7 457	15 065
Total comprehensive income for 2009	-	-	18	1 217	1 235
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2009	250	7 306	70	8 660	16 286
Total comprehensive income for 2010	-	-	(24)	218	194
Dividends declared	-	-	-	(14)	(14)
Balance at June 30, 2010	250	7 306	46	8 864	16 466

	Share capital	Share premium	Other reserves/funds	Retained earnings	Total equity
Balance at December 31, 2007	250	7 306	-	4 334	11 890
Total comprehensive income for 2008	-	-	52	3 137	3 189
Dividends declared	-	-	-	(14)	(14)
Balance at December 31, 2008	250	7 306	52	7 457	15 065
Total comprehensive income for 2009	-	-	12	642	654
Dividends declared	-	-	-	(14)	(14)
Balance at June 30, 2009	250	7 306	64	8 085	15 705

Bank Vozrozhdenie
IFRS Interim Quarterly Statements
Statement of Cash Flows for the period ended on June 30, 2010

<i>(in millions of Russian Rubles)</i>	6M 2010 (unaudited)	6M 2009 (unaudited)
Cash flows from operating activities		
Interest received	6 408	8 577
Interest paid	(3 938)	(3 686)
Fees and commissions received	1 992	1 922
Fees and commissions paid	(155)	(133)
Net income received from trading securities	30	39
Net income received from trading in foreign currencies	137	327
Other operating income received	56	40
Administrative and other operating expenses paid	(2 884)	(2 618)
Income tax paid	(314)	(289)
Cash flows from operating activities before changes in operating assets and liabilities	1 332	4 179
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(126)	(166)
Net (increase)/decrease in trading securities	(6 635)	1 247
Net decrease/ (increase) in due from other banks	6 057	(889)
Net (increase)/decrease in loans and advances to customers	(7 300)	529
Net decrease/ (increase) in other financial assets	142	(53)
Net decrease/ (increase) in other assets	7	(148)
Net decrease in due to other banks	(2 485)	(9 757)
Net increase in customer accounts	5 484	3 604
Net decrease in debt securities in issue	(2 611)	(294)
Net increase in other financial liabilities	1 378	513
Net (decrease)/increase in other liabilities	(75)	59
Net cash from/(used in) investing activities	(4 832)	(1 176)
Cash flows from investing activities		
Acquisition of investment securities available for sale	(823)	(875)
Proceeds from disposal of investment securities available for sale	155	1 705
Acquisition of investment securities held to maturity	(303)	-
Acquisition of fixed and intangible assets	(305)	(185)
Proceeds from disposal of fixed and intangible assets	1	1
Proceeds from disposal of long term assets available for sale	9	-
Net cash (used in)/from financing activities	(1 266)	646
Cash received from financing activities		
Repayment of syndicated loans	-	(1 754)
Repayment of subordinated deposit	(94)	-
Dividends received	(14)	(14)
Net cash used in financing activities	(108)	(1 768)
Effect of exchange rate changes on cash and cash equivalents	(752)	996
Net increase in cash and cash equivalents	(6 958)	(1 302)
Cash and cash equivalents at the beginning of the year	34 101	28 490
Cash and cash equivalents at the end of the financial period	27 143	27 188

1 Introduction

These interim financial statements of Bank Vozrozhdenie has been prepared in accordance with International Financial Reporting (IAS) 34 "Interim financial statements" (the IFRS (IAS) 34) for six months ended June 30, 2010.

Presentation currency: these financial statements are presented in millions of Russian Roubles ("RR millions")

The official CBRF exchange rate was applied for reevaluation of balances on FX accounts, which is as of June 30, 2010 comprised RR31.1954, as of December 31, 2009 - RR30.2442, and as of June 30, 2009 – RR31.2904 per one USD and relatively RR38.1863, RR43.3883 and RR43.8191 per one EUR.

2 Principles of accounting policies, critical accounting estimates and judgments

This interim financial statement is to be considered along with Bank's annual financial statements for the year ended December 31, 2009.

This interim financial statement doesn't contain all notes which are obligatory to disclosure in a full version of financial statement.

Principles and methods of accounting policy applied in this interim financial statement comply with the principles and methods applied and described in the Bank's annual Financial Statement for 2009.

Judgments made by Bank's management applying accounting policy comply with the judgments described in the Bank's annual Financial Statement for 2009. The Bank's Management didn't apply any new estimates and judgments. As a result of applying estimates and judgments described in the Bank's financial statements for the year ended December 31, 2009 the Bank's assets, revenues and income for three months ended June 30, 2010 didn't change materially.

3 Cash and cash equivalents

<i>(in millions of Russian Rubles)</i>	2010	2009
Cash on hand	6 809	9 642
Correspondent accounts and overnight placements with other banks		
- Russian Federation	3 655	633
- other countries	12 622	16 125
Cash balances with the CBRF (other than mandatory reserve deposits)	4 057	7 701
Total cash and cash equivalents	27 143	34 101

Cash and cash equivalents are not impaired and are not collateralized.

4 Trading securities

<i>Trading securities (in millions of Russian Rubles)</i>	2010	2009
CBRF bonds	6 690	3 429
Corporate bonds	3 919	3 571
State Internal loan Bonds (OVGVZ)	2 950	308
Corporate Eurobonds	1 547	701
Municipal Bonds	788	1 584
Federal loan bonds (OFZ)	140	-
Russian Federation Eurobonds	66	162
Total debt securities	16 100	9 755
Corporate shares	5	1
Total trading securities	16 105	9 756

4 Trading securities (continued)

The entire trading securities portfolio includes trading securities quoted on the market.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Bank does not analyze or monitor impairment indicators. Trading securities are used by Bank Basically for managing liquidity risk.

The Bank is licensed by the Federal Commission on the Securities Markets for trading in securities.

5 Due from Other Banks

<i>(in millions of Russian Rubles)</i>	2010	2009
Deposits with CBRF	-	4 000
Short-term placements with other banks	2	2 104
Insurance deposits with non-resident banks	312	259
Total due from other banks	314	6 363

The Bank has a significant concentration of credit risk with the CBRF. In total, credit risk exposure to the CBRF is estimated to have amounted to RR 11,741 million (2009: RR15,998 million), comprising cash and cash equivalents, mandatory reserve deposits with the CBRF and other amounts due from other banks and trading securities. As at June 30, 2010 the Bank's had no attracted deposits from the CBRF (2009: RR 2,306 million).

6 Loans and Advances to Customers

<i>(in millions of Russian Rubles)</i>	2010	2009
Corporate loans – large	26 341	25 657
Corporate loans – medium	44 202	38 683
Corporate loans – small	17 570	16 194
Mortgage loans	7 877	7 914
Other loans to individuals	6 484	6 196
Total loans and advances to customers (before impairment)	102 474	94 644
Less: Provision for loan impairment	(10 694)	(9 439)
Total loans and advances to customers	91 780	85 205

In accordance with the annually approved Credit policy loans are divided into corporate and retail. Taking into consideration the Bank's customer policy requirements for 2010 the corporate portion of borrowers is further divided on the basis of total amount owned by the customer into the following categories: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million (2009: large – in excess of RR 750 million, medium – from RR 100 million to RR 750 million, small less than RR 100 million). Retail loans are divided into categories by product: mortgage loans and other loans to individuals including customer loans, car loans and bank card loans.

6 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 6M 2010 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at December 31, 2009	1 631	4 129	2 660	449	570	9 439
Provision for loan impairment during the year	44	899	327	(6)	28	1 292
Amounts written off during the year as uncollectible	-	-	(36)	-	(1)	(37)
Provision for loan impairment at June 30, 2010	1 675	5 028	2 951	443	597	10 694

Movements in the provision for loan impairment during 2009 are as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at December 31, 2008	732	1 700	1 722	192	411	4 757
Provision for loan impairment during the year	899	2 429	1 003	257	164	4 752
Amounts written off during the year as uncollectible	-	-	(65)	-	(5)	(70)
Provision for loan impairment at December 31, 2009	1 631	4 129	2 660	449	570	9 439

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

<i>(in millions of Russian Rubles)</i>	2010		2009	
	Amount	%	Amount	%
Manufacturing	23 799	23	19 507	21
Trade	23 254	23	20 198	21
Individuals	14 361	14	14 110	15
Construction	8 651	8	7 830	8
State and public organizations	8 391	8	11 862	13
Transport	6 823	7	5 068	5
Agricultural	3 861	4	3 823	4
Finance	2 656	3	6 087	6
Other	10 678	10	6 159	7
Total Loans and advances to customers (Before provisions for loan impairment)	102 474	100	94 644	100

State and public organizations exclude government owned profit oriented businesses.

At June 30, 2010 the Bank had 20 borrowers with aggregated loan amounts equal or above RUB 750 million. The total aggregate amount of these loans was RUB 26 341 million or 25.7% of the gross loan portfolio.

At December 31, 2009 the bank had 17 borrowers with aggregated loan amounts equal or above RUB 500 million. The total aggregate amount of these loans was RUB 25 657 million or 27.1% of the gross loan portfolio.

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at June 30, 2010 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	14 926	-	-	-	-	14 926
- Large new borrowers	10 360	-	-	-	-	10 360
- Loans to medium size entities	-	1 245	-	-	-	1 245
- Loans assessed on a portfolio basis	-	36 027	14 216	7 110	5 789	63 142
- Loans renegotiated in 2010	205	1 296	383	43	60	1 987
Total neither past due nor impaired	25 491	38 568	14 599	7 153	5 849	91 660
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	-	16	377	110	503
- 30 to 90 days overdue	-	-	-	34	18	52
- 90 to 180 days overdue	-	-	-	18	-	18
- 180 to 360 days overdue	-	-	-	76	-	76
- over 360 days overdue	-	-	-	-	-	-
Total past due but not impaired	-	-	16	505	128	649
<i>Loans collectively determined to be impaired (gross)</i>						
- 30 to 90 days overdue	-	100	48	-	15	163
- 90 to 180 days overdue	-	-	37	-	16	53
- 180 to 360 days overdue	-	203	553	-	39	795
- over 360 days overdue	-	673	2 099	-	163	2 935
Total loans collectively determined to be impaired (gross)	-	976	2 737	-	223	3 946
<i>Loans individually determined to be impaired (gross)</i>						
- less than 30 days overdue	-	1 949	-	-	-	1 949
- 30 to 90 days overdue	-	162	86	-	-	248
- 90 to 180 days overdue	-	680	-	4	17	701
- 180 to 360 days overdue	850	621	-	-	55	1 526
- over 360 days overdue	-	1 246	132	215	202	1 795
Total loans individually determined to be impaired (gross)	850	4 658	218	219	274	6 219
Less impairment provisions	(1 675)	(5 028)	(2 951)	(443)	(597)	(10 694)
Total loans and advances to customers less provision	24 666	39 174	14 619	7 434	5 887	91 780

6 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at December 31, 2009 is as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Neither past due nor impaired:</i>						
- Large borrowers with credit history over two years	15 201	-	-	-	-	15 201
- Large new borrowers	7 536	-	-	-	-	7 536
- Loans to medium size entities	-	1 148	-	-	-	1 148
- Loans assessed on a portfolio basis	-	31 501	12 500	7 391	5 463	56 855
- Loans renegotiated in 2009	2 070	1 732	641	37	62	4 542
Total neither past due nor impaired	24 807	34 381	13 141	7 428	5 525	85 282
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	-	55	136	153	344
- 30 to 90 days overdue	-	300	-	56	33	389
- 90 to 180 days overdue	-	-	-	39	-	39
- 180 to 360 days overdue	-	-	-	108	-	108
- over 360 days overdue	-	-	-	-	-	-
Total past due but not impaired	-	300	55	339	186	880
<i>Loans collectively determined to be impaired (gross)</i>						
- 30 to 90 days overdue	-	-	188	-	23	211
- 90 to 180 days overdue	-	197	391	-	31	619
- 180 to 360 days overdue	-	425	751	-	81	1 257
- over 360 days overdue	-	248	1 433	-	101	1 782
Total loans collectively determined to be impaired (gross)	-	870	2 763	-	236	3 869
<i>Loans individually determined to be impaired (gross)</i>						
- less than 30 days overdue	-	1 536	-	-	-	1 536
- 30 to 90 days overdue	-	26	-	-	-	26
- 90 to 180 days overdue	850	424	-	-	30	1 304
- 180 to 360 days overdue	-	811	94	-	59	964
- over 360 days overdue	-	335	141	147	160	783
Total loans individually determined to be impaired (gross)	850	3 132	235	147	249	4 613
Less impairment provisions	(1 631)	(4 129)	(2 660)	(449)	(570)	(9 439)
Total loans and advances to customers	24 026	34 554	13 534	7 465	5 626	85 205

6 Loans and advances to customers (continued)

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and reliability of related collateral, if any.

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and booked portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan at the end of the reporting period. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The fair value of collateral in respect of loans past due but not impaired and in respect of loans collectively and individually determined to be impaired at 30 June 2010 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Fair value of collateral - loans past due but not impaired</i>						
- residential real estate	-	-	-	2 073	270	2 343
- production real estate	-	-	2	-	-	2
- equipment and inventories	-	-	11	-	-	11
- motor vehicles	-	-	-	-	125	125
- third parties' guarantees	-	-	29	27	1 105	1 161
- other assets (other types of property, rights)	-	-	-	280	-	280
<i>Fair value of collateral - collectively impaired loans</i>						
- production real estate	-	435	642	-	-	1 077
- equipment and inventories	-	38	1 393	-	-	1 431
- state guarantees and guarantees of the RF constituents	-	-	80	-	-	80
- third parties' guarantees	-	-	-	-	153	153
- other assets (other types of property, rights)	-	8	18	-	-	26
<i>Fair value of collateral - individually impaired loans</i>						
- residential real estate	-	-	-	272	46	318
- production real estate	172	2 750	-	-	-	2 922
- equipment and inventories	216	1 828	-	-	-	2 044
- motor vehicles	-	-	-	-	182	182
- third parties' guarantees	-	-	-	-	599	599
- other assets (other types of property, rights)	-	109	-	12	7	128
Total	388	5 168	2 175	2 664	2 487	12 882

6 Loans and advances to customers (continued)

The fair value of collateral in respect of loans past due but not impaired and in respect of loans collectively and individually determined to be impaired at 31 December 2009 was as follows:

<i>(in millions of Russian Rubles)</i>	Corporate loans – large	Corporate loans – medium	Corporate loans – small	Mortgage loans	Other loans to individuals	Total
<i>Fair value of collateral - loans past due but not impaired</i>						
- residential real estate	-	-	-	545	185	730
- production real estate	-	104	36	-	-	140
- equipment and inventories	-	145	-	-	-	145
- motor vehicles	-	-	-	-	32	32
- third parties' guarantees	-	280	50	-	59	389
- other assets (other types of property, rights)	-	-	-	99	-	99
<i>Fair value of collateral - collectively impaired loans</i>						
- production real estate	-	245	640	-	-	885
- equipment and inventories	-	239	1 432	-	-	1 671
- state guarantees and guarantees of the RF constituents	-	-	108	-	-	108
- third parties' guarantees	-	-	-	-	168	168
- other assets (other types of property, rights)	-	9	18	-	-	27
<i>Fair value of collateral - individually impaired loans</i>						
- residential real estate	-	-	-	219	44	263
- production real estate	172	1 977	-	-	-	2 149
- equipment and inventories	216	1 043	75	-	-	1 334
- motor vehicles	-	-	-	-	91	91
- third parties' guarantees	-	-	-	-	166	166
- other assets (other types of property, rights)	-	109	-	4	-	113
Total	388	4 151	2 359	867	745	8 510

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans represent collateralised loans where the discounted fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

7 Securities Available for Sale

<i>(in millions of Russian Rubles)</i>	2010	2009
RF Eurobonds	819	-
Corporate Eurobonds	605	701
Corporate bonds	148	115
Total debt securities	1 572	816
Corporate shares	458	496
Total investment securities available for sale	2 030	1 312

The movements in investment securities available for sale are as follows:

<i>(in millions of Russian Rubles)</i>	2010	2009
Carrying amount at 1 January	1 312	2 364
Fair value gains less losses	(16)	26
Interest income accrued	26	11
Interest income received	13	22
Purchases	823	786
Disposals of investment securities available for sale	(153)	(1 916)
Other	25	19
Carrying amount at June 30/December 31	2 030	1 312

8 Investment securities held to maturity

<i>(in millions of Russian Rubles)</i>	2010	2009
Corporate promissory notes	308	-
Total investment securities held to maturity	308	-

Corporate promissory notes are the promissory notes of one Russian large company nominated in Russian rubles. These promissory notes have maturity date on July- September 2010 and discount rate/income of 5.8% -7.0%.

9 Other Assets

<i>(in millions of Russian Rubles)</i>	2010	2009
Inventories	2 525	2 355
Investment properties	601	609
Non-current assets held for sale	563	536
Deferred income tax asset	285	52
Other	43	108
Total other assets	4 017	3 660

9 Other Assets (continued)

Inventories represent real estate assets, equipment, motor vehicles and inventory acquired by the Bank in settlement of overdue loans. The assets do not meet the definition of investment property and non-current assets held for sale and are classified as inventories in accordance with IAS 2, Inventories. The assets were initially recognised at cost when acquired. All of the above assets are expected to be realised within more than twelve months after the year-end. A decision on the use of the repossessed property is taken by the Bank's Management Board or the Board of Directors.

The Bank measures the investment property using the cost model less accumulated depreciation and provision for impairment, if necessary.

The portfolio of assets held for sale consists of residential and commercial real estate acquired by the Bank as repossessed collateral in the settlements of overdue loans. The Bank actively markets these assets and expects to dispose of these assets by April 2011.

10 Due to Other Banks

<i>(in millions of Russian Rubles)</i>	2010	2009
Short-term placements of the CBRF	-	2 306
Placements of other banks	1 611	1 758
Correspondent accounts of other banks	229	304
Total due to other banks	1 840	4 368

In January 2010 the Bank prepaid a short-term placement of the CBRF in the amount of RR 2 306 million with maturity date in October 2010 and contractual interest rate of 10.0%

11 Customer Accounts

<i>(in millions of Russian Rubles)</i>	2010	2009
State and public organisations		
- Current/settlement accounts	320	319
- Term deposits	1 693	-
Other legal entities		
- Current/settlement accounts	23 225	24 253
- Term deposits	15 498	19 993
Individuals		
- Current/demand accounts	14 603	14 088
- Term deposits	62 736	54 476
Total customer accounts	118 075	113 129

11 Customer Accounts (continued)

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>(in millions of Russian Rubles)</i>	2010		2009	
	Amount	%	Amount	%
Individuals	77 339	65	68 564	60
Finance	9 530	8	12 167	11
Trade	11 652	10	11 428	10
Manufacturing	4 793	4	5 382	5
Construction	3 569	3	5 385	5
Transport and communications	2 509	3	4 414	4
State and public organisations	2 013	2	319	-
Agriculture	1 163	1	810	1
Other	5 507	4	4 660	4
Total customer accounts	118 075	100	113 129	100

12 Debt Securities in Issue

<i>(in millions of Russian Rubles)</i>	2010	2009
Bonds	-	3 087
Promissory notes	3 442	3 055
Deposit certificates	235	222
Total debt securities in issue	3 677	6 364

According to the terms of issue the Bank has paid off bonds circulated on the domestic market with nominal value of RR 3000 millions in March of 2010.

13 Subordinated loans

Subordinated loans represent long-term deposits of the Bank's customers, which mature from 2011 to 2018 and bear contractual interest rate from 2.3% to 9.2% (2009: from 2.3% to 9.2%). The contractual interest rates are regularly revised in accordance with the terms of the subordinated loans agreements №9 and №10. The debt ranks after all other creditor's claims in case of liquidation. The details of subordinated loans attracted by the Bank are disclosed in the table below:

	Start date	Maturity date	Currency	2010		2009	
				Contractual interest rate, %	Nominal value, RR million	Contractual interest rate, %	Nominal value, RR million
Subordinated loan 1	May 2000	April 2011	USD	2,25	250	2,25	242
Subordinated loan 2	June 2002	June 2010	USD	-	-	8,0	91
Subordinated loan 3	July 2004	July 2012	USD	8,0	312	8,0	302
Subordinated loan 4	June 2005	June 2013	USD	5,75	312	5,75	302
Subordinated loan 5	December 2005	December 2013	USD	8,0	218	8,0	212
Subordinated loan 6	March 2006	March 2014	USD	6,5	156	6,5	151
Subordinated loan 7	May 2006	May 2014	USD	6,5	94	6,5	91
Subordinated loan 8	June 2006	June 2014	USD	6,5	156	6,5	151
Subordinated loan 9	December 2006	December 2013	RR	7,75	1 000	8,75	1 000
Subordinated loan 10	April 2007	April 2014	RR	7,75	500	8,75	500
Subordinated loan 11	July 2008	August 2018	USD	9,21	1 560	9,21	1 512

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Total subordinated loans	4 558	4 554
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On June 14, 2010 the Bank paid off subordinated loan received from the related party for the amount of USD3 millions.

Subordinated loans №5, 6, 7, 8 were received by the Bank from a related party.

14 Interest Income and Expense

<i>(in millions of Russian Rubles)</i>	6M 2010 (unaudited)	6M 2009 (unaudited)
Interest income		
Loans and advances to customers - legal entities	5 405	6 831
Loans and advances to customers - individuals	1 035	1 329
Trading securities	426	428
Correspondent accounts and due from other banks	183	181
Investment securities available for sale	40	46
Investment securities held to maturity	5	-
Total interest income	7 094	8 815
Interest expense		
Term deposits of individuals	2 891	2 057
Term deposits of legal entities	916	799
Debt securities in issue	205	232
Subordinated loans	177	232
Due to other banks	53	1 022
Current/settlement accounts of legal entities	15	28
Syndicated loans	-	58
Total interest expense	4 257	4 428
Net interest income	2 837	4 387

15 Fee and Commission Income and Expense

<i>(in millions of Russian Rubles)</i>	6M 2010 (unaudited)	6M 2009 (unaudited)
Fee and commission income		
Settlement transactions	503	521
Cash transactions	468	489
Credit/debit cards and cheques settlements	409	331
Payroll projects	250	262
Cash collection	107	95
Guarantees issued	83	85
Other	137	153
Total fee and commission income	1 957	1 936
Fee and commission expense		
Credit/debit cards and cheques settlements	110	86
Settlements with currency and stock exchanges	10	8
Settlement transactions	9	18
Cash transactions	6	4
Other	20	17
Total fee and commission expense	155	133
Net fee and commission income	1 802	1 803

16 Administrative and Other Operating Expenses

<i>(in millions of Russian Rubles)</i>	6M 2010 (unaudited)	6M 2009 (unaudited)
Staff costs	1 764	1 631
Administrative expenses	310	287
Depreciation of premises, equipment and amortisation of intangible assets	246	239
Other costs related to premises, equipment and intangible assets	245	214
Contributions to the State Deposit Insurance Agency	140	107
Rent	127	132
Taxes other than on income	104	91
Other	274	211
Total administrative and other operating expenses	3 210	2 912

Included in staff costs are statutory social security and pension contributions (unified social tax) of RR 319 million (2009: RR 287 million).

17 Segment Analysis

Operating segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) with the purpose to generate income, whose operating results are regularly reviewed by the Bank's Management Board based on management accounts prepared in accordance with Russian accounting rules in terms of each operating segment. The functions of the chief operating decision maker (CODM) are performed by the Management Board of the Bank. Operating management and performance of an operating segment are the responsibility of the Deputy Chairman of the Management Board of the Bank supervising the corresponding business line.

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM evaluates performance of each segment based on profit before tax.

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for 6 months ended 30 June 2010 and 31 December 2009.

For the purpose of preparation of the management accounts the amount of assets and liabilities is calculated as average balances for the respective accounting period. Total assets and liabilities do not include the subsequent events.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
30 June 2010							
Total assets of reportable segments	81 908	11 941	2 339	42 805	-	-	138 993
Total liabilities of reportable segments	49 992	56 804	13 617	3 254	-	1 503	125 170
31 December 2009							
Total assets of reportable segments	78 788	14 490	2 774	34 645	-	403	131 100
Total liabilities of reportable segments	41 820	44 928	11 358	19 317	-	-	117 423

17 Segment Analysis (continued)

The table below represents the information of income and expenses per reportable segments for 6 months ended 30 June 2010. The Bank's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Rubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
2010							
- Interest income	5 252	820	199	620	-	3	6 894
- Non-interest income	1 275	349	636	60	-	33	2 353
- Transfer income	1 632	2 878	172	166	443	68	5 359
Total revenues	8 159	4 047	1 007	846	443	104	14 606
- Interest expense	(1 191)	(2 863)	(27)	(100)	-	(68)	(4 249)
- Non-interest expense	(73)	-	(97)	(25)	-	(17)	(212)
- Transfer expense	(4 257)	(688)	(132)	(282)	-	-	(5 359)
Total expenses	(5 521)	(3 551)	(256)	(407)	-	(85)	(9 820)
Operating income before provision for loan impairment	2 638	496	751	439	443	19	4 786
Provision for loan impairment	(1 134)	19	(19)	-	-	-	(1 134)
Operating income	1 504	515	732	439	443	19	3 652
Administrative and other operating expenses	(1 327)	(1 123)	(549)	(39)	-	(22)	(3 060)
Profit/(loss) before tax (Segment result)	177	(608)	183	400	443	(3)	592

17 Segment Analysis (continued)

The reconciliation of assets, liabilities, income and expenses of the Bank's reportable segments for 6 months ended 30 June 2010.

Reconciliation of reportable segment assets

<i>(in millions of Russian Rubles)</i>	June 30, 2010 (unaudited)	December 31, 2009
Total reportable segment assets	138 993	131 100
Assets unallocated between operating segments	14 516	17 670
Interest claim	1 415	773
Differences in financial statements format *	(7 302)	(3 589)
Differences in fair valuation of securities	33	70
Adjustment of provisions for loan impairment based on the incurred loss model	(893)	(594)
Recognition of commission income from lending using the effective interest method	(169)	(138)
Fair valuation of instruments with non-market rates	(3)	(2)
Recognition of financial instruments using the effective interest method	376	314
Provision for impairment of inventories	(2)	(1)
Impairment of investment securities available for sale	(16)	-
Other	19	-
Total assets	146 967	145 603

Reconciliation of reportable segment liabilities

<i>(in millions of Russian Rubles)</i>	June 30, 2010 (unaudited)	December 31, 2009
Total reportable segment liabilities	125 170	117 423
Liabilities unallocated between operating segments	2 276	878
Liabilities on interest payment	2 724	2 347
Differences in financial statements format *	361	8 711
Deviation due to recording of reportable segment liabilities without regard to the events after the end of the reporting period	-	(6)
Recognition of liabilities at amortised cost	(30)	(36)
Total liabilities	130 501	129 317

* Differences in financial statements format arise from presentation of assets and liabilities of reportable segments calculated as average balances for the reporting period for the purpose of management account preparation.

17 Segment Analysis (continued)

Reconciliation of income and expense before tax of the reportable segments

(in millions of Russian Rubles)

June 30, 2010

Total reportable segment result	592
Recognition of commission income from lending using the effective interest method	(31)
Recognition of other fees and commissions by reference to completion of the specific transaction	(4)
Recognition of interest income/expense using the effective interest method	(5)
Differences in fair valuation of trading securities	(24)
Fair valuation of instruments with non-market rates	(1)
Adjustment of provisions for loan impairment based on the incurred loss model	(158)
Accrued Bank's liabilities on unused vacation payments	(73)
Differences in depreciation charge on premises and equipment and capitalised software implementation costs	(25)
Recognition of financial instruments using the effective interest method	61
Impairment of investment securities available for sale	(16)
Provision for impairment of inventories	(1)
Other	(6)
Profit before tax	309

Reconciliation of other material items of income or expenses

Reconciliation of other material items of income or expenses for 6 months ended 30 June 2010 is as follows:

	Total amount for all reportable segments	Valuation at amortised cost	Fair valuation	Provision for loan impairment	Deferred expenses	Differences in depreciation charge	Reclassification of management reporting items	As reported under IFRS
<i>(in millions of Russian Rubles)</i>								
Material income or expenses for 6 months ended 30 June 2010								
Interest income	6 894	(22)	19				264	7 155
Non-interest income	2 353	48	(23)				(201)	2 177
Interest expense	(4 249)	(7)					(1)	(4 257)
Non-interest expense	(212)		(16)				(36)	(264)
Provision for loan impairment	(1 134)			(158)				(1 292)
Administrative and other operating expenses	(3 060)		(11)		(73)	(25)	(41)	(3 210)

18 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk, liquidity risk and geographical risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Bank's annual financial report for the year ended December 31, 2009.

The tables below summarize the Bank's exposure to currency risk and Bank's liquidity position taking into account expected contractual time left before redemption of assets and liabilities.

Currency risk. The Bank is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions.

The table below summarises the Bank's exposure to currency risk at 30 June 2010:

<i>(in millions of Russian Rubles)</i>	RR	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	13 331	6 790	6 991	31	27 143
Mandatory cash balances with the CBRF	994	-	-	-	994
Trading securities	9 166	4 608	2 326	-	16 100
Due from other banks	-	312	2	-	314
Loans and advances to customers	84 236	6 511	1 033	-	91 780
Investment securities available for sale	147	1 425	-	-	1 572
Investment securities held to maturity	308	-	-	-	308
Other financial assets	910	99	88	-	1 097
Total monetary financial assets	109 092	19 745	10 440	31	139 308
Monetary financial liabilities					
Due to other banks	225	1 102	513	-	1 840
Customer accounts	93 029	15 218	9 822	6	118 075
Debt securities in issue	3 232	304	141	-	3 677
Subordinated loans	1 562	3 071	-	-	4 633
Other financial liabilities	1 923	31	1	-	1 955
Total monetary financial liabilities	99 971	19 726	10 477	6	130 180
Net balance sheet position	9 121	(19)	(37)	25	9 128
Credit related commitment	12 956	394	2 339	-	15 689

18 Financial Risk Management (continued)

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments.

The analyses of Bank's liquidity risk as at June 30, 2010 is as follows:

<i>(in millions of Russian Rubles)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	27 143	-	-	-	27 143
Mandatory cash balances with the CBRF	396	314	184	100	994
Trading securities	16 105	-	-	-	16 105
Due from other banks	-	-	-	314	314
Loans and advances to customers	6 366	30 774	20 840	33 800	91 780
Investment securities available for sale	459	605	111	855	2 030
Investment securities held to maturity	-	308	-	-	308
Other financial assets	1 097	-	-	-	1 097
Total financial assets	51 566	32 001	21 135	35 069	139 771
Liabilities					
Due to other banks	235	244	239	1 122	1 840
Customer accounts	47 693	36 196	21 956	12 230	118 075
Debt securities in issue	723	2 312	600	42	3 677
Subordinated loans	-	106	259	4 268	4 633
Other financial liabilities	1 955	-	-	-	1 955
Total financial liabilities	50 606	38 858	23 054	17 662	130 180
Net liquidity gap based on expected maturities at 30 June 2010	960	(6 857)	(1 919)	17 407	9 591
Cumulative liquidity gap at 30 June 2010	960	(5 897)	(7 816)	9 591	

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The expected maturity of investment securities available for sale is based on offer agreement date.

19 Contingencies and Commitments

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

19 Contingencies and Commitments (continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>(in millions of Russian Rubles)</i>	2010	2009
Unused limits on overdraft loans	6 108	5 029
Guarantees issued	6 174	4 751
Undrawn credit lines	1 310	680
Letters of credit for payments in the Russian Federation	2 085	31
Import letters of credit	12	25
Total credit related commitments	15 689	10 516

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.