OPEN JOINT-STOCK COMPANY
“NK BANK”

Non-consolidated unaudited financial statements
for 6 months ended June 30, 2010

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OPEN JOINT-STOCK COMPANY
“NK BANK”

TABLE OF CONTENTS

	Page
MANAGEMENT’S ACKNOWLEDGEMENT OF RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE NON-CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED JUNE 30, 2010	1
NON-CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED JUNE 30, 2010:	
Non-consolidated profit and loss statement	2
Non-consolidated aggregate income statement	3
Non-consolidated financial position statement	4
Non-consolidated statement of changes in equity	5
Non-consolidated cash flow statement	6-7
Notes to the non-consolidated financial statements	8-41

OPEN JOINT-STOCK COMPANY
“NK BANK”

MANAGEMENT’S ACKNOWLEDGEMENT OF RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE NON-CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED JUNE 30, 2010

The Bank’s management is responsible for the preparation of the non-consolidated financial statements, in all material respects reflecting accurately the Bank’s financial position as of June 30, 2010, as well as its operating results, cash flow, and changes in equity for 6 months ended June 30, 2010, in accordance with the International Accounting Standards (hereinafter, “the IAS”).

Preparing the non-consolidated financial statements, the management shall be responsible for:

- election of appropriate accounting principles, and consistent application thereof;
- use of substantiated estimates and calculations;
- compliance with the IAS requirements and disclosure of all material deviations from the IAS in the notes to the non-consolidated financial statements;
- preparation of the non-consolidated financial statements, subject to the assumption that the Bank will continue operating in the foreseeable future, except for cases where such assumption is invalid.

The management shall also be responsible for:

- elaboration, implementation and operation of an efficient and reliable internal control system at the Bank;
- maintaining an accounting system allowing at any time preparing information in respect of the Bank’s financial position with sufficient degree of accuracy, and ensuring compliance of the non-consolidated financial statements to the IAS requirements;
- taking measures within their competence to ensure preservation of the Bank’s assets;
- detection and prevention of fraud, errors, and other abuse.

These non-consolidated financial statements for 6 months ended June 30, 2010 have been approved by the Bank Management Board on November 23, 2010.

On behalf of the Bank Management Board:

Signed
S.N. Smirnov
Chairman of the Management Board

November 23, 2010
Moscow

Signed
E.M. Merkulova
Chief accountant

November 23, 2010
Moscow

Seal:
Moscow * the Russian Federation * Open joint-stock company “NK Bank”

Non-consolidated profit and loss statement for 6 months ended June 30, 2010
(thousand RUR)

	Note	For 6 months ended June 30, 2010 (unaudited)	Year ended December 31, 2009
Interest income	4, 33	582 902	1 162 097
Interest expense	4, 33	(276 144)	(577 441)
Net interest income before provision for impairment losses on interest bearing financial assets		**306 758**	**584 656**
Provision for impairment losses on interest bearing assets	5, 33	(4 482)	(198 115)
NET INTEREST INCOME		**302 276**	**386 541**
Net gain/(loss) on financial assets at fair value through profit or loss	6	1 734	41 244
Impairment of non-current assets held for sale	23	-	(28 734)
Net gain on foreign exchange operations	7, 33	47 571	18 117
Net gain on financial assets available-for-sale		45	84 999
Fee and commission income	8, 33	26 786	56 423
Fee and commission expense	8	(5 742)	(22 749)
Provision for impairment of assets on other transactions	5	-	(3 884)
Dividends received	10	205	164
Income/expense from claims recovered and discharged	9	(61 468)	
Other income	11	8 660	9 019
NET NON-INTEREST INCOME		17 791	154 599
OPERATING INCOME		320 067	541 140
OPERATING EXPENSES	12, 33	(206 091)	(321 946)
PROFIT BEFORE INCOME TAX		**113 976**	**219 194**
Income tax expense	13	**(28 186)**	**(54 303)**
NET PROFIT		**85 790**	**164 891**

Approved by and signed on behalf of the Management Board

[	]	Chairman of the Management Board	S.N. Smirnov
[	]	Chief Accountant	E.M. Merkulova

23 November 2010
Moscow
Notes on pages 8-41 form an integral part of these consolidated financial statements.

Non-consolidated statement of aggregate income for 6 months ended June 30, 2010
(thousand RUR)

	Note	June 30, 2010 (unaudited)	December 31, 2009
NET PROFIT		**85 790**	**164 891**
OTHER AGGREGATE INCOME			
Net change in fair value of financial assets available-for-sale		19 177	(15 146)
Income tax attributable to other components of the aggregate income		(445)	
OTHER AGGREGATE INCOME NET OF INCOME TAX		18 732	(15 146)
TOTAL AGGREGATE INCOME		**104 522**	**149 745**

Approved by and signed on behalf of the Management Board

[ ] Chairman of the Management Board S.N. Smirnov

[ ] Chief Accountant E.M. Merkulova

23 November 2010
Moscow
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Non-consolidated statement of financial position as of June 30, 2010

(thousand RUR)

	Note	June 30, 2010 (unaudited)	December 31, 2009
ASSETS			
Cash and balances with the Central Bank of the Russian Federation	14	312 669	396 346
Precious metals	15	-	25 281
Financial assets at fair value through profit or loss	16	461 188	452 253
Due from banks and other financial institutions	17	1 478 947	313 531
Loans to customers	18, 33	6 251 684	6 438 004
Financial assets available-for-sale	19, 33	670 392	182 367
Financial assets held to maturity	20	-	48 243
Property, plant and equipment and intangible assets	21	20 312	17 261
Current income tax claims		-	9 347
Other assets	22	16 801	12 537
		9 211 993	7 895 170
Non-current assets held-for-sale	23	115 173	115 173
Total assets		**9 327 166**	**8 010 343**
LIABILITIES			
Due to the Central Bank of the Russian Federation	24	-	653 222
Due to banks and other financial institutions	25	1 720 144	929 430
Customer accounts	26, 33	4 318 779	3 531 597
Debt securities issued	27, 33	1 368 228	1 114 533
Deferred tax liabilities	13	135	-
Subordinated debt	29, 33	154 586	148 695
Other liabilities	28	57 699	29 793
Total liabilities		**7 619 571**	**6 407 270**
EQUITY			
Share capital	30	679 277	679 277
Share premium	30	449 358	449 358
Financial assets available for sale fair value reserve		1 779	(16 953)
Retained earnings		577 181	491 391
Total equity		**1 707 595**	**1 603 073**
Total liabilities and equity		**9 327 166**	**8 010 343**

Approved by and signed on behalf of the Management Board

[ ]	Chairman of the Management Board	S.N. Smirnov
[ ]	Chief Accountant	E.M. Merkulova

23 November 2010
Moscow
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Non-consolidated unaudited statement of changes in equity for 6 months ended June 30, 2010

(thousand RUR)

	Share capital	Share premium	Financial assets available for sale fair value reserve	Retained earnings	Total equity
Balance as of January 1, 2009	**623 777**	**449 358**	**(1 807)**	**326 500**	**1 397 828**
Aggregate annual income	-	-	(15 146)	164 891	149 745
On equity shares	55 500	-	-	-	55 500
Balance as of January 1, 2010	**679 277**	**449 358**	**(16 953)**	**491 391**	**1 603 073**
Aggregate annual income	-	-	18 732	85 790	104 522
Balance as of June 30, 2010	**679 277**	**449 358**	**1 779**	**577 181**	**1 707 595**

Approved by and signed on behalf of the Management Board

[	]	Chairman of the Management Board	S.N. Smirnov
[	]	Chief Accountant	E.M. Merkulova

23 November 2010
Moscow
Notes on pages 8-41 form an integral part of these consolidated financial statements.

Non-consolidated cash flow statement for 6 months ended June 30, 2010

	Note	June 30, 2010 (unaudited)	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		113 976	219 194
Adjustments for:			
Provision for impairment losses on interest bearing assets		4 482	198 115
Provision for impairment of assets on other transactions		-	3 884
Fair value adjustment on financial assets at fair value through profit or loss		(1 463)	16 622
Impairment of non-current assets held for sale		-	28 734
Net profit from transactions with investments available-for-sale		(45)	(84 999)
Loss from claims discharged		61 468	-
Depreciation and amortization		4 671	10 216
Loss on retirement of property, plant and equipment and intangible asset		(2 217)	39
Dividends received		(205)	(164)
Discount depreciation on debt securities in issue		20 676	
Net change in interest income and expense accrued		13 650	(111 105)
Loss on foreign currency account revaluation		(84 303)	3 861
Cash flows from operating activities before changes in operating assets and liabilities		**130 690**	**284 397**
(Increase)/decrease in net cash from operating assets and liabilities			
Changes in operating assets and liabilities			
Increase/(decrease) in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		(2 636)	(34 996)
Precious metals		25 281	(14 474)
Financial assets at fair value through profit or loss		(10 066)	(301 599)
Due from banks and other financial institutions		(566 212)	607 500
Loans to customers		159 351	(782 334)
Other assets		(4 264)	(29 039)
Increase/(decrease) in operating liabilities:			
Due to the Central Bank of the Russian Federation		(649 778)	(431 898)
Due to banks and other financial institutions		817 749	770 737
Customer accounts		748 077	(280 854)
Other liabilities		27 906	6 565
Cash outflow from operating activities before taxation		**676 098**	**(205 995)**
Income taxes refunded/(paid)		**(19 149)**	**40 000**
Net cash outflows from operating activities		**656 949**	**(165 995)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and intangible assets		(10 191)	(3 302)
Gain from disposal of property, plant and equipment and intangible assets		4 686	-
Dividends received		205	164
Purchase of financial assets available-for-sale		(1 102 620)	(569 557)
Proceeds on sale of financial assets available-for-sale		118 206	857 916
Proceeds on redemption of financial assets held to maturity		922 676	832 894
Purchase of financial assets held to matutiry		(370 938)	(661 651)
Net cash inflows from investing activities		**(437 976)**	**456 464**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase of share capital		-	55 500
Proceeds from sale of debt securities issued		1 808 941	2 842 733
Redemption of debt securities issued		(1 520 125)	(3 369 951)
Net cash outflows from financing activities		**288 816**	**(471 718)**
Effect of foreign exchange rate fluctuations on cash and cash equivalents		5 102	(718)
Net decrease in cash and cash equivalents		**512 891**	**(181 967)**
Cash and cash equivalents, beginning of the period	14	**565 665**	**747 632**
Cash and cash equivalents, end of the period	14	**1 078 556**	**565 665**

Interest received and paid by the Bank during 6 months ended June 30, 2010 amounted to RUR 569,092 thousand and RUR 223,612 thousand, respectively.

Interest received and paid by the Bank during the year ended December 31, 2009 amounted to RUR 926,374 thousand and RUR 486,361 thousand, respectively.

Approved by and signed on behalf of the Management Board

[	]	Chairman of the Management Board	S.N. Smirnov
[	]	Chief Accountant	E.M. Merkulova

23 November 2010
Moscow
Notes on pages 8-41 form an integral part of these consolidated financial statements.

1 Organization

Open Joint Stock Company "Natsionalnyi Kosmicheskiy Bank" (the “Bank”) is a joint stock bank incorporated in the Russian Federation in 1993. The Bank’s business activities are regulated by the Central Bank of the Russian Federation (the “CB RF”) and conducted under general banking license number 2755. The Bank’s primary business includes commercial banking activities, trading in securities, foreign currencies, granting loans and guarantees.

The registered office of the Bank is located at 2/22 ul. Lva Tolstogo, bld. 6, Moscow, Russia.

The Bank is the parent of the following company.

Name	**Country of operation**	**June 30, 2010**	**2 009**	**Type of business**
OJSC "Inkor-Trading"	Russian Federation	100,00%	100,00%	Real estate operations

For the purposes of these financial statements, operating results of the subsidiary (the “Inkor-Trading” OJSC) are not consolidated in the Bank’s financial statements. Operations with the subsidiary are considered as related-party operations (Note 33).

As of June 30, 2010 and December 31, 2009, the Bank’s shares were held by the following shareholders:

First level shareholders:	**June 30, 2010**	**December 31, 2009**
V.E. Grigoriev	90,00%	54,00%
A.M. Arshinov	-	22,77%
LLC "Business and Investments"	-	13,23%
S.G. Nedoroslev	-	-
LLC "StroySector"	-	-
L.L. Drozdova	4,00%	4,00%
S.A. Vikhrova	3,00%	3,00%
D.A. Drozdov	3,00%	3,00%
	100,00%	100,00%

Ultimate shareholders:		
V.E. Grigoriev	90,00%	54,00%
A.M. Arshinov	-	22,77%
A.A. Morokhovets	-	10,02%
S.G. Nedoroslev	-	-
L.L. Drozdova	4,00%	4,00%
S.A. Vikhrova	3,00%	3,00%
D.A. Drozdov	3,00%	3,00%
A.I. Gusev	-	2,35%
L.A. Vasina	-	0,79%
S.M. Arshinov	-	0,07%
	100,00%	100,00%

These non-consolidated financial statements were approved by the Bank Management Board on 23 November 2010.

2 Basis of presentation

Accounting basis

These non-consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These Bank’s financial statements are not consolidated with its subsidiary’s statements. The Bank prepares its non-consolidated financial statements according to the requirements of the Central Bank of the Russian Federation set out in Directive dated 25 December 2003 №1363-У “On preparation and presentation of financial statements by credit institutions” in accordance with IAS 27 “Consolidated and non-consolidated financial statements”. These non-consolidated financial statements shall be considered by the statements’ users together with the Bank’s consolidated financial statements prepared under IFRS which can be accessed at the Bank’s registered address referred to in Note 1.

These financial statements are presented in thousands of Russian rubles (“thousand RUR”), unless otherwise stated. These financial statements have been prepared under the historical cost convention, except for the accounting at fair value of certain financial instruments.

The Bank maintains its accounting records in accordance with Russian law. These financial statements have been prepared based on the Russian accounting standards, and have been adjusted to match the IFRS. These adjustments include certain reclassifications of assets and liabilities, income and expense under certain items of the balance sheet and the profit and loss account, to reflect the economic substance of underlying transactions.

Functional currency

Items included in the financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to Bank (the “functional currency”). The functional currency of these financial statements is the Russian Ruble.

3 Key accounting principles

Investments in subsidiaries

The Bank’s investments in companies in which it has over 50% of voting rights and (or) can control the company’s financing and operating activities in order to profit by the results, are investments in subsidiaries. For the purposes of the Bank’s non-consolidated financial statements, such investments are accounted at their acquisition cost.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value. The initial cost of a financial asset or financial liability not at fair value through profit or loss is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:
• the rights to receive cash flows from the asset have expired;
• the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
• the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset’s cash flows; or (b) retains the right to the asset’s cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent time deposit accounts with the of the CBR and advances to banks in countries included in the Organization for Economic Cooperation and Development (“OECD”) with original maturity within 90 days.

The minimum reserve deposits with the CBR are subject to restrictions to its availability and therefore are not included in cash and cash equivalents.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate calculated based on the second fixing of the London Metal Exchange rates using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals in other income.

Due from banks and other financial institutions

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks and other financial institutions are initially recognized at fair value. Due from banks and other financial institutions are subsequently measured at amortized cost using the effective interest method if they have fixed maturities. Those that do not have fixed maturities are stated at amortized cost based on expected dates of maturity. Amounts due from banks and other financial institutions are carried net of any allowance for impairment losses.

Financial liabilities at fair value through profit or loss

Financial assets and liabilities are classified as valued at fair value through profit or loss if they meet any of the following conditions: (1) acquired principally for the purpose of selling them in the near future; (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking; or (3) are designated as derivatives (except for the case when a derivative is defined as an effective hedging instrument).

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the income statement for the period. The Bank does not reclassify financial instruments in or out of this category while they are held (except the cases of reclassification in accordance with amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial instruments: Disclosure”).

Derivatives

In the normal course of business, the Bank enters into various derivative financial instruments which include forwards. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the balance sheet. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Repurchase and reverse repurchase agreements

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Bank with fixed maturity are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is included in the consolidated income statement. Subsequently, loans are carried at amortized cost using the effective interest method. Those that do not have fixed maturities are stated using the effective interest rate method based on expected dates of maturity. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans

Loans are written off against allowance for impairment losses in the case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has obtained all available collateral. The decision to write off any material, beneficial and unsecured loans as well as loans issued to insiders against the loan impairment allowance must be confirmed by service documents issued by judicial or notary authorities and certifying that as at the moment of this decision the debtor was unable to repay (partially repay) the loan from its own funds.

Provision for impairment losses

The Bank accounts for impairment of financial assets when there is objective evidence of impairment of a financial asset or a group of financial assets. Impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on the financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material.

The change in the impairment is included into profits and losses using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). The assets recorded in the balance sheet are reduced by the amount of the impairment. The factors the Bank evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the recognized impairment losses, it is the judgment of management that the impairment losses recognized are adequate to absorb losses incurred on the risk assets.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if:

• the lease transfers ownership of the asset to the lessee by the end of the lease term;

• the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

• the lease term is for the major part of the economic life of the asset even if title is not transferred;

• at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

• the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

At the commencement of the lease term, the Bank as a lessee recognizes finance leases as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Bank.

Financial assets held to maturity

Financial assets held to maturity are debt securities with determinable or fixed payments, and where the Bank has a positive intent and the ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Financial assets available-for-sale

Financial assets available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated income statement. Exchange gains and losses are recognized in the consolidated income statement.

The Bank uses quoted market prices to determine fair value of the Bank's financial assets available-for-sale. If the market for investments is not active, the Bank establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other applicable methods. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period. These financial assets are recognized net of impairment loss.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held-for-sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell an asset held-for-sale is lower than its carrying amount, an impairment loss is recognized in the income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets acquired after January 1, 2003 are carried at historical cost less accumulated depreciation. Property, plant and equipment acquired before January 1, 2003 are carried at historical cost restated for inflation less accumulated depreciation. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization is charged on the carrying value of property, plant and equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2%
Office and computer equipment	20-25%
Cars and other equipment	25-30%
Intangible assets	15-30%

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities;

- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Russian Federation also has various other taxes, which are assessed on the Bank's activities. These taxes are included as operating expenses in the consolidated income statement.

Due to banks and other financial institutions, customer accounts, debt securities issued and subordinated debt

Due to banks and other financial institutions, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings, using the effective interest method.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital and share premium

Contributions to share capital made before January 1, 2003 are recognized at their cost restated for inflation. Contributions to share capital made after January 1, 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 “Events after the Balance Sheet Date” (“IAS 10”) and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the Russian legislation, state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. Such expense is charged in the period when the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds as selected by employees. The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The discounting period is equal to the expected life of the financial instrument, or if applicable, to a shorter period.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to the consolidated income statement when the related transactions are completed.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the income statement over the remaining period of the loan commitment.

Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided.

Recognition of other income and expense

Other income and expense are recognized as they are received/incurred in the period to which they relate.

Foreign currency translation

The Bank's financial statements are presented in the currency of the primary economic environment in which the Bank operates. In preparing the financial statements of the Bank, monetary assets and liabilities denominated in currencies other than the Bank's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

As of June 30, 2010 and December 31, 2009, the exchange rates set by the CBR and used by the Bank in the preparation of the financial statements are as follows:

	June 30, 2010	**December 31, 2009**
RUB/USD	31,1954	30,2442
RUB/EUR	38,1863	43,3883
RUB/ 1000 Belorussian rubles	10,3433	10,6083
RUB/ 10 Ukrainian hryvnas	39,4629	37,6172
RUB/Gold bullion (1 ounce)	38 697,9	33 389,6

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Bank does not offset the transferred asset and the associated liability.

Accounting for the effects of hyperinflation

In accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” ("IAS 29") the economy of the Russian Federation was considered to be hyperinflationary till the end of 2002. Since January 1, 2003 economy of RF ceased to be hyperinflationary, and the costs of non-monetary assets, liabilities and equity, calculated as at December 31, 2002, was used to form the beginning balances as at January 1, 2003.

Fiduciary activities

The Bank provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2009. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies.

Amendment to IAS 1 “Presentation of Financial Statements” – On September 6, 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after January 1, 2009.

IFRS 7 "Financial Instruments: Disclosure" is effective for annual reporting periods beginning on or after January 1, 2009. The revised standard requires additional disclosures on the fair value measurement of financial instruments and liquidity risk. Fair value measurements are disclosed on the basis of a three level hierarchy of inputs used to determine the fair value for each class of financial instruments. Moreover, the revised standard provides for an analysis of changes in fair value measurements based on level three inputs at the beginning and end of the reporting period and disclosure of material reclassifications of financial instruments between the first and second levels of fair value measurement inputs during the reporting period.

In May 2008, the IASB issued amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements” that change the investor's accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate. It does not affect the consolidated financial statements but may prospectively affect the Bank’s accounting and presentation of receipts of dividends from such entities. They are effective for accounting periods beginning on or after July 1, 2009.

IAS 27 - In 2008 the Standard was amended as part of the second phase of the business combinations project. That phase of the project was undertaken jointly with the US Financial Accounting Standards Board (FASB). The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. The boards concluded the second phase of the project by the IASB issuing the amended IAS 27 and the FASB issuing FASB Statement No. 160 Non-controlling Interests in Consolidated Financial Statements, along with, respectively, a revised IFRS 3 Business Combinations and FASB Statement No. 141 (revised 2007) Business Combinations. The amended Standard must be applied for annual periods beginning on or after July 1, 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before July 1, 2009 unless it also applies IFRS 3 (as revised in 2008).

Standards and interpretations in issue and not yet adopted

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Bank in advance of their effective dates, the following Interpretations were in issue but not yet effective.

Financial instruments: Classification and Measurement (Exposure draft) In July 2009 IASB issued an exposure draft (ED) that is a part of IASB’s project to replace IAS 39: Recognition and Measurement. The ED proposes a new classification and measurement model for financial assets and financial liabilities. All recognised financial assets and financial liabilities that are currently in the scope of IAS 39 will be measured either at amortised cost or fair value. A financial instrument that has only basic loan features and is managed on a contractual yield basis is measured at amortised cost, unless designated as at fair value through profit or loss (FVTPL).

Those financial instruments measured at fair value will either be classified as FVTPL or in the case of investment in equity instruments that are not held for trading, designated irrevocably as at fair value through other comprehensive income (FVTOCI). All investments in equity instruments and derivatives linked to equity instruments in the scope of IAS 39 must be measured at fair value, i.e. an unquoted equity investment cannot be measured at cost less impairment when fair value cannot be reliably measured as currently required by IAS 39. The ED does not permit reclassifications out of or into amortised cost, FVTPL or FVTOCI after initial recognition.

The effective date of these changes is not yet determined but the IASB expects to finalize the new classification and management model in time to allow entities to voluntary adopt the new model for 2009 year-end financial statements.

4 Net interest income

	6 months ended on June 30, 2010	Year ended December 31, 2009
Interest income		
Interest income on financial assets recorded at amortized cost comprises:		
Interest income on impaired assets	510 228	1 027 906
Interest income on unimpaired assets	20 912	62 067
Interest income on financial assets at fair value through profit or loss	51 762	72 124
Total interest income	**582 902**	**1 162 097**
Interest income on financial assets recorded at amortized cost comprises:		
Interest income on loans to customers	520 294	1 076 891
Interest income on due from banks	4 130	5 461
Interest on financial assets held-to-maturity	6 716	7 621
Total interest income on financial assets recorded at amortized cost	**531 140**	**1 089 973**
Interest income on financial assets at fair value through profit or loss comprises:		
Interest income on financial assets held for trading	40 471	31 159
Interest income on financial assets available-for-sale	11 291	40 965
Total interest income on financial assets at fair value	**51 762**	**72 124**

Interest expense

Interest expense on financial liabilities carried at amortized cost	(276 144)	(577 411)
Total interest expense	**(276 144)**	**(577 411)**

Interest expense on financial liabilities carried at amortized cost comprises:

Interest expense on debt securities issued	(64 550)	(127 930)
Interest expense on customer accounts	(132 125)	(285 691)
Interest expense on due to banks and other financial institutions and due to the Central Bank of the Russian Federation	(76 540)	(151 940)
Interest expense on subordinated debt	(2 929)	(11 880)
Total interest expense on liabilities recorded at amortized cost	**(276 144)**	**(577 441)**
Net interest income before provision for impairment losses on interest bearing financial assets	**306 758**	**584 656**

5 Provision for impairment losses

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Balance as of December 31, 2009	Provisions	Balance as of June 30, 2010
Change in provision for impairment losses on interest bearing assets			
On loans to customers	865 491	4 482	**869 973**
Total change in provision for impairment losses on interest bearing assets	**865 491**	**4 482**	**869 973**
Total provision for impairment losses	**865 491**	**4 482**	**869 973**

	Balance as of December 31, 2008	Provisions	Balance as of December 31, 2009
Change in provision for impairment losses on interest bearing assets			
On loans to customers	667 376	198 115	**865 491**
Total change in provision for impairment losses on interest bearing assets	**667 376**	**198 115**	**865 491**
Total provision for impairment losses	**667 376**	**198 115**	**865 491**

The movements in other allowances were as follows:

	Balance as of December 31, 2009	Provisions	Balance as of June 30, 2010
Change in allowance for other assets			
Provision for impairment losses on other transactions	**3 884**		3 884
Total change in allowance for other assets	**3 884**	**0**	**3 884**

6 Net loss/(gain) on financial assets at fair value through profit or loss

	June 30, 2010			December 31, 2009		
	Fair value adjustment	Realised trading income	**Total**	Fair value adjustment	Realised trading income	**Total**
Net gain/(loss) on financial assets initially designated at fair value through profit or loss	1 463	271	**1 734**	(13 868)	57 866	**43 998**
Expenses on transactions with derivatives	-	-	**-**	(2 754)	-	**(2 754)**
Total net gain/(loss) on operations with financial assets at fair value through profit or loss	**1 463**	**271**	**1 734**	**(16 622)**	**57 866**	**41 244**

7 Net gain on foreign exchange operations

Net gain on foreign exchange operations comprises:

	6 months ended on June 30, 2010	Year ended December 31, 2009
Dealing, net	52 807	60 040
Translation differences, net	(5 236)	(41 923)
Total net gain on foreign exchange operations	**47 571**	**18 117**

8 Fee and commission income and expense

Fee and commission income and expense comprise:

	6 months ended on June 30, 2010	Year ended December 31, 2009
Fee and commission income		
Settlements	11 534	22 591
Cash desk and cash collection operations	8 534	19 105
Currency control	3 491	7 250
Broker services	1 449	1 573
Guarantees	1 351	4 181
Other	427	1 723
Total fee and commission income	**26 786**	**56 423**
Fee and commission expense		
Guarantees	-	(12 000)
Settlements	(5 594)	(9 336)
Cash desk and cash collection operations	-	(977)
Other	(148)	(436)
Total fee and commission expense	**(5 742)**	**(22 749)**

9 Income/ expense from discharge and recovery of claims

In 2004, the Bank granted a loan of USD 1 990 thousand to the CJSC "Yaltinskaya Kinostudiya". In March 2010, due to financial and other covenants arisen, the loan was claimed by the Bank ahead of term. In June 2010, due to failure by the borrower to comply with its early repayment obligations, the loan was classified as a bad debt. Following the estimate of probability and recovery costs, the Bank assigned its creditor's rights in full to a third party. Expense from the cession of rights amounted to RUR 61 468 thousand.

10 Dividends received

Dividends received for the 6 months ended June 30, 2010 and for the year ended December 31, 2009 were as follows:

	6 months ended on June 30, 2010	Year ended December 31, 2009
OJSC "MEUZ Yuvelirprom"	205	164
Total dividends received	**205**	**164**

11 Other income

	6 months ended on June 30, 2010	Year ended December 31, 2009
Insurance compensation	3 508	-
Income from precious metal operations, net	3 141	7 575
Income from retirement of fixed and intangible assets	1 188	-
Penalties	-	44
Other	823	1 400
Total other income	**8 660**	**9 019**

12 Operating expenses

Operating expenses comprise:

	6 months ended on June 30, 2010	Year ended December 31, 2009
Staff costs	137 955	196 765
Unified social tax	18 455	21 715
Security expenses	14 935	30 774
Security expenses	6 592	12 004
Depreciation and amortization expense	4 673	10 216
Taxes, other than income tax	4 222	7 217
Telecommunications	3 928	9 246
Payments to the Deposit Insurance Fund	3 385	6 809
Property, plant and equipment maintenance	2 423	4 710
Banking system support	762	1 244
Stationery	665	1 437
Property insurance	652	1 323
Software support	636	1 262
Rating assignment services	464	1 197
Advertising	218	867
Professional services	184	4 249
Other expenses	5 942	10 911
Total operating expenses	**206 091**	**321 946**

13 Income tax

The Bank provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Russian Federation which may differ from IFRS.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and tax-free regime for certain income.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of June 30, 2010 and December 31, 2009 comprise:

	June 30, 2010	December 31, 2009
Deductible temporary differences:		
Debt securities issued	1 759	18 999
Other liabilities	32 501	30 869
Non-current assets held-for-sale	28 734	28 734
Financial assets at fair value through profit or loss and available-for-sale	17 136	24 421
Financial assets held to maturity	-	11 304
Customer accounts	3 744	4 785
Financial institutions' accounts	340	-
Other assets	9 244	11 567
Total deductible temporary differences	**93 458**	**130 679**
Taxable temporary differences:		
Loans to customers	26 309	3 085
Financial assets at fair value through profit or loss and available-for-sale	-	**-**
Property, plant and equipment and intangible assets	8 137	6 357
Banks and other financial institutions' accounts	37	-
Precious metals	1 433	445
Total taxable temporary differences	**35 916**	**9 887**
Net deferred assets	57 542	120 792
Net deferred assets at the rate of 20%	**11 508**	**24 158**
Less valuation allowance	(11 508)	(24 158)
Net deferred tax liabilities	**0**	**0**

Relationships between tax expenses and accounting profit for 6 months ended June 30, 2010 and for the year ended December 31, 2009 are explained below:

	6 months ended June 30, 2010	Year ended December 31, 2009
Profit before tax	113 976	219 194
Tax at the statutory tax rate (20%)	22 795	43 839
Tax effect of change in income tax rates	-	-
Tax effect of change in valuation allowance	8 816	(21 449)
Effect of tax rate, different from the prime rate of 20%	(6)	(12)
Tax effect of permanent differences	(3 419)	31 925
Income tax expense for the year	28 186	54 303
Current income tax expense	28 631	54 303
Deferred income tax expense	(445)	-
Income tax expense for the year	**28 186**	**54 303**

14 Cash and balances with the Central Bank of the Russian Federation

	June 30, 2010	December 31, 2009
Cash on hand	139 313	102 297
Cash and balances with the Central Bank of the Russian Federation	173 356	294 049
Total cash and balances with the CBR	**312 669**	**396 346**

Balances with the Central Bank of the Russian Federation as of June 30, 2010 and December 31, 2009 include RUR 44,806 thousand and RUR 42,170 thousand,respectively, which represent the obligatory minimum reserve deposits with the CBR. The Bank is required to maintain minimum reserve deposits with the CBR at all times.

Cash and cash equivalents for the purposes of the non-consolidated cash flow statement comprise the following:

	June 30, 2010	December 31, 2009
Cash and balances with the Central Bank of the Russian Federation	312 669	396 346
Due from banks in OECD countries	810 693	211 489
Total	1 123 362	607 835
Less minimum reserve deposits with the Central Bank of the Russian Federation	(44 806)	(42 170)
Total cash and cash equivalents	**1 078 556**	**565 665**

15 Precious metals

Precious metals as at December 31, 2009 included gold in the Bank's vault with the carrying amount of RUB 25,281 thousand.

16 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	June 30, 2010	December 31, 2009
Financial assets held for trading:		
Debt securities	461 188	452 253
Total financial assets at fair value through profit or loss	**461 188**	**452 253**

Financial assets held for sale comprise:

Debt securities:	Interest to nominal %	June 30, 2010	Interest to nominal %	December 31, 2009
Bonds issued by Russian banks	8.25%-16%	290 932	15%-17.5%	358 326
Russian corporate bonds	7.7%-16.5%	160 284	12.5%-14%	82 855
Russian State Bonds (OFZ)	7%-7.5%	9 972	7%-7.5%	11 072
Total debt securities		**461 188**		**452 253**

Russian State Bonds ("OFZ") are Ruble denominated government securities issued at a discount to the face value and guaranteed by the Ministry of Finance of the Russian Federation. OFZ are middle- and long-term bonds.

As of June 30, 2010 and December 31, 2009, bonds issued by Russian banks comprised Ruble denominated bonds with maturities from August 2012 through July 2015, and from May 2010 through June 2014, respectively.

As of June 30, 2010 and December 31, 2009, Russian corporate bonds comprised Ruble denominated bonds with maturities from December 2012 through July 2016, and from December 2010 through October 2018, respectively.

17 Due from banks and other financial institutions

	June 30, 2010	December 31, 2009
Correspondent accounts and overnight deposits	854 330	288 000
Term interbank loans and depositis	480 000	-
Past-due interbank loans	32 677	-
Other accounts with financial institutions	111 940	25 531
Total due from banks and other financial institutions	**1 478 947**	**313 531**

As of June 30, 2010, the Bank had amounts due from Deutsche Bank group which exceeded 10% of the Bank's equity of RUR 726,961 thousand.

As of December 31, 2009, the Bank had amounts due from Deutsche Bank group which exceeded 10% of the Bank's equity of RUR 210,648 thousand.

18 Loans to customers

	June 30, 2010	December 31, 2009
Loans to customers	6 352 492	7 303 495
Reverse repurchase transactions	163 496	-
Past-due loans	254 799	237 638
Interest income accrued	350 870	89 943
Less allowance for impairment losses	(869 973)	(865 491)
Total loans to customers	**6 251 684**	**6 438 004**

As of June 30, 2010 and December 31, 2009 loans to customers of RUB 106,922 thousand and RUB 672,319 thousand, respectively, were held as security under loans from the CBR (see Note 24).

Movements in allowances for impairment losses on loans to customers for 6 months ended June 30, 2010 and for the year ended December 31, 2009 are disclosed in Note 5.

The table below summarizes the present value of loans analyzed by type of collateral, rather than the fair value of the collateral itself:

	June 30, 2010	December 31, 2009
Loans collateralized by pledge of real estate	883 844	1 515 882
Loans collateralized by securities	677 319	361 038
Loans collateralized by promissory notes of the Bank	206 896	457 514
Loans collateralized by receivables	194 947	483 276
Loans collateralized by pledge of equipment	185 316	135 875
Loans collateralized by corporate guarantees	135 446	177 610
Unsecured loans	4 837 889	4 172 300
	7 121 657	7 303 495
Less allowance for impairment losses	(869 973)	(865 491)
Total loans to customers	**6 251 684**	**6 438 004**

The breakdown of the customer loan portfolio risk concentration by economy sector was as follows:

	June 30, 2010	December 31, 2009
Individuals	1 753 388	2 204 997
Financial activities	1 559 748	1 622 837
Wholesale trade	1 390 509	1 087 609
Real estate operations	920 037	1 176 768
Construction	380 850	573 207
Light industry	350 000	-
Agriculture, hunting	180 000	180 000
Machinery construction	177 715	175 927
Retail trade	143 966	106 235
Tourism	107 298	39 695
Film industry	-	81 447
Transport and communications	60 000	-
Hotels and restaurants	43 689	46 773
Printing industry	34 041	-
Ferrous and non-ferrous metallurgy	20 416	8 000
	7 121 657	7 303 495
Less allowance for impairment losses	(869 973)	(865 491)
Total loans to customers	**6 251 684**	**6 438 004**

As of June 30, 2010 and December 31, 2009 the Bank granted loans to 12 and 17 borrowers totaling RUB 3,377,674 thousand and RUB 4,532,434 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As of June 30, 2010 and December 31, 2009 the breakdown of loans to customers by characteristics and nature of disclosure was as follows:

	June 30, 2010			December 31, 2009		
	Outstanding amount	Provisions	Net outstanding amount	Outstanding amount	Provisions	Net outstanding amount
Loans to legal entities	**5 368 267**	**643 248**	**4 725 019**	**5 098 496**	**717 286**	**4 381 210**
Loans for current operations	4 229 073	476 743	3 752 330	3 400 608	471 549	2 929 059
Investment loans	814 768	134 090	680 678	1 529 879	223 620	1 306 259
Loans "against turnover"	160 865	32 415	128 450	168 009	22 117	145 892
Reverse REPO agreements	163 561		163 561			
Loans to individuals	**1 753 390**	**226 725**	**1 526 665**	**2 204 999**	**148 205**	**2 056 794**
Special purpose loans to individuals	1 567 509	149 669	1 417 840	1 987 499	76 288	1 911 211
Consumer loans	182 000	75 554	106 446	214 707	70 451	144 256
Overdrafts on plastic cards	3 881	1 502	2 379	2 793	1 466	1 327
Total loans to customers	**7 121 657**	**869 973**	**6 251 684**	**7 303 495**	**865 491**	**6 438 004**

The impairment of loans to customers was as follows:

	June 30, 2010			December 31, 2009		
	Outstanding amount	Provisions	Net outstanding amount	Outstanding amount	Provisions	Net outstanding amount
Loans impaired individually	6 552 747	832 006	**5 720 741**	6 145 379	779 374	**5 366 005**
Loans impaired collectively	302 813	37 967	**264 846**	507 665	86 117	**421 548**
Unimpaired loans	266 097	-	**266 097**	650 451	-	**650 451**
Total loans to customers	**7 121 657**	**869 973**	**6 251 684**	**7 303 495**	**865 491**	**6 438 004**

The loans whose terms have been renegotiated that would otherwise be past due or impaired:

	June 30, 2010			December 31, 2009		
	Outstanding amount	Provisions	Net outstanding amount	Outstanding amount	Provisions	Net outstanding amount
Loans to legal entities	**790 750**	**58 021**	**732 729**	**680 548**	**103 061**	**577 487**
Loans for current operations	520 680	19 953	**500 727**	273 221	73 536	**199 685**
Investment loans	270 070	38 068	**232 002**	407 327	29 525	**377 802**
Loans to individuals	**976 055**	**93 240**	**882 815**	**759 955**	**90 677**	**669 278**
Special purpose loans to individuals	893 534	43 121	**850 413**	627 335	30 428	**596 907**
Consumer loans	82 521	50 119	**32 402**	132 620	60 249	**72 371**
Total loans to customers	**1 766 805**	**151 261**	**1 615 544**	**1 440 503**	**193 738**	**1 246 765**

19 Financial assets available-for-sale

Financial assets available-for-sale comprise:

	June 30, 2010	December 31, 2009
Debt securities	640 150	154 432
Equity securities	30 242	27 935
Total financial assets available-for-sale	**670 392**	**182 367**

Financial assets available-for-sale comprise:

Debt securities:

Name	Interest to nominal, %	June 30, 2010	Interest to nominal, %	December 31, 2009
Promissory notes	9.91%-12.58%	413659	-	-
Russian State Bonds (OFZ)	6.90%-8.5%	148 589	6.90%-8.5%	131 495
Russian corporate bonds	7.68%-8.95%	77 902	7,68%	2 507
Bonds issued by Russian banks	-	-	9,13%	20 430
Total debt securities		**640 150**		**154 432**

Equity securities:

Description	Ownership interest, %	June 30, 2010	Ownership interest, %	December 31, 2009
Investments in subsidiaries:				
Investments in the "Inkor-Trading" OJSC	**100,00%**	20 338	**100,00%**	20 338
Corporate shares:				
Investments in the "Vneshenergoservice" CJSC	**31,80%**	2 307	-	-
Stock issued by CJSC Moscow experimental jewelry plant "Yuvelirprom"	**0,69%**	7 585	**0,69%**	7 585
Stock issued by OJSC "TGK-11 Holding"	**Less than 0.01%**	12	**Less than 0.01%**	12
Total equity securities		**30 242**		**27 935**

As of June 30, 2010, 19.500 shares of the "Inkor-Trading" OJSC were provided as a collateral for borrowings from banks (Note 25).

Russian State Bonds (“OFZ”) are Ruble denominated government securities issued at a discount to the face value and guaranteed by the Ministry of Finance of the Russian Federation. OFZ are middle- and long-term bonds.

As of June 30, 2010 and December 31, 2009 Russian corporate bonds included bonds denominated in Russian Rubles with maturities from June 2015 and 2009 through July 2016, respectively.

As of December 31, 2009 the Bank's portfolio included Eurobonds of URSA, freely traded in international markets. The coupon income on these securities is payable twice a year. The securities mature in February 2010.

As of June 30, 2010 promissory notes issued by Russian banks included promissory notes denominated in Russian Rubles with maturities from December 2010 through December 2011.

20 Financial assets held to maturity

Financial assets held to maturity comprise:

	December 31, 2009
Promissory notes	48 243
Total financial assets held to maturity	**48 243**

Financial assets held to maturity comprise:

Description	Interest to nominal, %	June 30, 2010	Interest to nominal, %	December 31, 2009
Promissory notes of Russian banks			12,73%	48 243
Total financial assets held to maturity				**48 243**

21 Property, plant and equipment and intangible assets

	Buildings	Office and computer equipment	Cars and other equipment	Capital investments	Intangible assets	Other	Total
Net book value as of 1 January 2010	**748**		**5 112**		**5 862**	**5 539**	**17 261**
Opening balance	911		20 660		18 825	19 970	**60 366**
Additions	-		438		5 629	4 124	**10 191**
Disposals	-		41		(6 837)	-	**(6 796)**
Closing balance	**911**		**21 139**		**17 617**	**24 094**	**63 761**
Opening balance	(163)		(15 548)		(12 963)	(14 431)	**(43 105)**
Depreciation	(9)		(1 111)		(1 739)	(1 812)	**(4 671)**
Disposals	-		(41)		4 368	-	**4 327**
Closing balance	**(172)**		**(16 700)**		**(10 334)**	**(16 243)**	**(43 449)**
Net book value as of June 30, 2010	**739**		**4 439**		**7 283**	**7 851**	**20 312**

	Buildings	Office and computer equipment	Cars and other equipment	Capital investments	Intangible assets	Total
Net book value as of 1 January 2009	**766**	**6 333**		**10 005**	**7 110**	**24 214**
Opening balance	911	20 239		19 177	17 975	**58 302**
Additions	-	1 249		58	1 995	**3 302**
Disposals	-	(828)		(410)	-	**(1 238)**
Closing balance	**911**	**20 660**		**18 825**	**19 970**	**60 366**
Opening balance	(145)	(13 906)		(9 172)	(10 865)	**(34 088)**
Depreciation	(18)	(2 454)		(4 178)	(3 566)	**(10 216)**
Disposals	-	812		387	-	**1 199**
Closing balance	**(163)**	**(15 548)**		**(12 963)**	**(14 431)**	**(43 105)**
Net book value as of 31 December 2009	**748**	**5 112**		**5 862**	**5 539**	**17 261**

As of June 30, 2010 and December 31, 2009, included in property, plant and equipment were fully depreciated office and computer equipment and vehicles of RUB 16,205 thousand and RUB 12,497 thousand, respectively.

Intangible assets include software, patents and licenses.

22 Other assets

	June 30, 2010	December 31, 2009
Other financial assets:		
Receivables on other transactions	11 926	11 598
Settlements on conversion and term transactions	55	763
Less allowance for impairment losses	(3 884)	(3 884)
Total other financial assets	8 097	8 477
Other non-financial assets:		
Advance payments	8 428	3 291
Taxes refundable (other than income tax)	256	769
Balances on transit accounts	20	-
Total other assets	**16 801**	**12 537**

23 Non-current assets held-for-sale

As of June 30, 2010 non-current assets held-for-sale include land plots (Moscow Region, Odintsovo district) received by the Bank in 2009 under an amicable agreement as a substitute for the performance of obligations under a loan agreement. Under the amicable agreement the value of land plots was equal to the amount of debt under the loan agreement, plus interest and forfeit for late payment of interest and amounted to RUB 143,907 thousand.

Management decided to sell the land plots within 12 months from recognition as assets held for sale. As of June 30, 2010 the assets were remeasured at fair value, and an impairment of RUB 28,734 thousand was recognized.

24 Due to the Central Bank of the Russian Federation

	December 31, 2009
Unsecured loans	-
Loans collateralized by loans to customers	653 222
Loans collateralized by securities	-
Due to the Central Bank of the Russian Federation, total	**653 222**

As of December 31, 2009 amounts due to the Central Bank of the Russian Federation include loans of RUB 653,222 thousand collateralized by loans to customers of RUB 672,319 thousand (before allowance for impairment losses) (see Note 18).

25 Due to banks and other financial institutions

	June 30, 2010	December 31, 2009
Term loans and deposits from other banks	1 713 862	927 331
Correspondent accounts and overnight deposits of other banks	6 282	2 099
Total due to banks and other financial institutions	**1 720 144**	**929 430**

As of June 30, 2010 amounts due to banks include loans (OJSC "Rosselkhozbank) of RUB 935,862 thousand collateralized by pledged financial assets held for sale (19.500 shares of the subsidiary, see Note 19).

26 Customer accounts

	June 30, 2010	December 31, 2009
Commercial entities	2 463 491	1 910 031
Current and settlement accounts	1 540 742	781 493
Term deposits	922 749	1 128 538
Individuals	1 855 288	1 594 970
Current accounts and demand deposits	353 388	302 873
Term deposits	1 501 900	1 292 097
Letters of credit payable	-	26 596
Total customer accounts	**4 318 779**	**3 531 597**

The breakdown of customer accounts by economy sectors was as follows:

	June 30, 2010	%	December 31, 2009	%
Financial activities	1 012 448	23,4%	1 179 729	33,4%
Fuel industry	788 207	18,3%	-	
Trade	208 594	4,8%	221 784	5,9%
Real estate operations	114 721	2,7%	138 778	3,9%
Services	82 345	2,0%	93 071	2,6%
Construction	70 433	1,6%	83 381	2,4%
Equipment manufacturing	38 700	0,9%	31 888	0,9%
Tourism	33 088	0,8%	5 706	0,2%
Food industry	24 070	0,6%	24 571	0,7%
Information and computing services	18 021	0,4%	8 987	0,3%
Transport and communications	16 852	0,4%	13 036	0,4%
Science and education	12 346	0,3%	14 406	0,4%
Machinery construction	11 049	0,3%	81 382	2,3%
Hotels and restaurants	8 731	0,2%	1 150	0,0%
Chemical industry	4 471	0,1%	2 646	0,1%
Light industry	4 222	0,1%	4 120	0,1%
Metallurgy	3 857	0,1%	10 395	0,3%
Printing industry	2 511	0,1%	3 433	0,1%
Culture and art	2 266	0,2%	8 224	0,2%
Other manufacturing	2 224	0,1%	5 550	0,1%
Electric power industry	1 652	0,0%	1 740	0,1%
Agriculture	1 470	0,0%	2 021	0,1%
Other	1 213	0,0%	629	0,0%
Individuals	1 855 288	43,0%	1 594 970	45,2%
Total customer accounts	**4 318 779**		**3 531 597**	

27 Debt securities issued

	June 30, 2010	December 31, 2009
Discounted promissory notes	1 368 228	1 114 533
Total debt securities issued	**1 368 228**	**1 114 533**

28 Other liabilities

	June 30, 2010	December 31, 2009
Other financial liabilities:		
Salary payable	43 021	25 176
Settlements on conversion and term transactions	2 646	11
Other payables	8 866	1 716
Total other financial liabilities	54 533	26 903
Other non-financial liabilities:		
Taxes payable (other than income tax)	3 166	2 890
Total other liabilities	**57 699**	**29 793**

29 Subordinated loans

	Currency	Maturity year	Interest rate %	June 30, 2010	December 31, 2009
Subordinated loan from LLC "Polikom-Vest"	RUB	2019	8	154 586	148 695
TOTAL				**154 586**	**148 695**

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

30 Share capital

As of June 30, 2010 and December 31, 2009, the Bank's share capital was as follows:

	June 30, 2010				**December 31, 2009**			
	Number of shares	**Par value of 1 share, RUB'000**	**Total par value, RUB '000**	**Amount adjusted for inflation, RUB '000**	**Number of shares**	**Par value of 1 share, RUB'000**	**Total par value, RUB '000**	**Amount adjusted for inflation, RUB '000**
Ordinary shares	555 500	1	555 500	679 277	555 500	1	555 500	679 277
Total share capital	**555 500**		**555 500**	**679 277**	**555 500**		**555 500**	**679 277**

As of June 30, 2010 and December 31, 2009 the authorized share capital comprised 749,600 ordinary shares with par value of RUB 1,000 each. As of June 30, 2010 and December 31, 2009 the issued and fully paid share capital comprised 555,500 ordinary shares with par value of RUB 1,000 each. All shares are of the same class and bear one vote. Share premium represents an excess of contributions received over the nominal value of shares issued.

In the reporting period ended June 30, 2010 and December 31, 2009, the Bank declared and paid no dividends following its operating results in the years 2010 and 2009, respectively.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 5% of the Bank's share capital reported in statutory books.

31 Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit policy for the contingent liabilities as it does for balance sheet financial instruments.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles applied by the Basle Committee on Banking Supervision.

As of June 30, 2010 and December 31, 2009, the nominal or contract amounts and risk-weighted amounts were:

	June 30, 2010		**December 31, 2009**	
	Nominal amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Commitments on loans and unused credit lines	55 163	6 891	99 347	9 049
Letters of credit and other transaction related contingent obligations	-	-	26 596	26 596
Guarantees	48 501	48 501	117 939	117 939
Total credit commitments	**103 664**	**55 392**	**243 882**	**153 584**

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. Liability amount on such unused credit lines is RUB 165,179 thousand and RUB 238,854 thousand as of June 30, 2010 and December 31, 2009, respectively.

Operating lease commitments – Where the Bank is the lessee, the future minimum rental payments under non-cancelable operating leases of premises in effect as of June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010	**December 31, 2009**
Under 1 year	59 780	30 489
1 to 5 years	297 599	120 156
Over 5 years	74 400	30 039
Total operating lease commitments	**431 779**	**180 684**

Fiduciary activities – The Bank provides depositary services to its customers. As of June 30, 2010 and December 31, 2009 the Bank had customer securities totaling 16,336,408 items and 16,106,275 items, respectively.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this consolidated financial statements.

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation which allows the Russian tax authorities to take decisions based on their own arbitrary interpretations of these provisions. In practice, the Russian Federation tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Russian tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Bank is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

Operating Environment – Although in recent years there has been a general improvement in economic conditions in the RF, it continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result the laws and regulations affecting businesses continue to change rapidly. Tax, currency and customs legislation within the RF is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Ongoing global liquidity crisis – The financial markets, both globally and in the Russian Federation, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

The global financial turmoil has significantly affected the Russian economy. It has resulted in a decrease of Russia's GDP, significant declines in debt and equity prices and a substantial outflow of capital. In addition, Russia is also facing a relatively high level of inflation (according to the information received from the government statistical services, the increase in consumer prices for the years ended December 31, 2009 and December 31, 2008 amounted to 8.8% and 13.3%, respectively). Since Russia produces and exports large volumes of oil and gas, Russia's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2008 and 2009. The Russian government initiated the adoption of a package of federal laws and regulations to restore investor confidence provide liquidity and support medium-term growth of Russia's economy. However, at this stage there is no clarity with respect to efficiency of these measures.

While many countries, including Russia, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and gas prices could slow or disrupt the Russia economy, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

While the Russian government has introduced a range of stabilization measures aimed at providing liquidity to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Bank and its counterparties, which could affect the Bank's financial position, results of operations and business prospects.

Factors including increased unemployment in the Russian Federation, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Bank's borrowers' ability to repay the amounts due to the Bank. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

Management is unable to reliably estimate the effects on the Bank's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances.

32 Events after the balance sheet date

The Bank has decided to change its location (address) in December 2010.
New address of the "NK BANK" OJSC: 125047, Moscow, Miusskaya ploshad, 2.

33 Related party transactions

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives then significant influence over the Bank; and that have joint control over the Bank;

(b) Associates – enterprises on which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Bank is a venturer;

(d) Members of key management personnel of the Bank or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	June 30, 2010		December 31, 2009	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Loans to customers				
entities with joint control or significant influence over the Bank	-		9 499	
key management personnel of the Bank	21 186		2 316	
subsidiaries	427 329		392 027	
other related parties	127 929		362 568	
Total loans to customers	576 444	7 121 657	766 410	7 303 495
Allowance for impairment losses on loans to customers				
entities with joint control or significant influence over the Bank	(991)		-	
subsidiaries	(16 600)		(75 329)	
other related parties	(33 602)		(78 927)	
Total allowance for impairment losses on loans to customers	(51 193)	(869 973)	(154 256)	(865 491)
Financial assets available for sale				
subsidiaries	20 338		20 338	
Total investments available for sale	20 338	670 392	20 338	182 367
Customer accounts				
entities with joint control or significant influence over the Bank	(96 221)		(21 494)	
key management personnel of the Bank	(94 333)		(36 589)	
subsidiaries	(809)		(975)	
other related parties	(31 727)		(17 063)	
Total customer accounts	(223 089)	(4 318 779)	(76 121)	(3 531 597)
Debt securities issued (to the first holder)				
entities with joint control or significant influence over the Bank	(70 620)		(219 064)	
other related parties	(25 171)		(30 086)	
Total debt securities issued	(95 791)	(1 368 228)	(249 150)	(1 114 533)
Subordinated debt				
other related parties	(154 586)		(148 695)	
Total subordinated debt	(154 586)	(154 586)	(148 695)	(148 695)

Included in the non-consolidated income statement for 6 months ended June 30, 2010 and for the year ended December 31, 2009 are the following amounts which arose due to transactions with related parties:

	6 months ended June 30, 2010		**Year ended December 31, 2009**	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income				
entities with joint control or significant influence over the Bank	235		12 370	
key management personnel of the Bank	1 769		624	
subsidiaries	34 161		44 189	
other related parties	24 849		26 896	
Total interest income	61 013	582 902	84 079	1 162 097
Interest expense				
entities with joint control or significant influence over the Bank	(5 285)		(18 375)	
key management personnel of the Bank	(1 773)		(869)	
subordinated debt	(5 891)		(11 880)	
other related parties	(831)		(1 203)	
Total interest expense	(13 780)	(276 144)	(32 327)	(577 441)
Provision for impairment losses on interest bearing assets				
key management personnel of the Bank	(81)		-	
subsidiaries	58 729		(42 793)	
other related parties	26 443		(22 333)	
Total provision for impairment losses on interest bearing assets	85 091	(4 482)	(65 126)	(198 115)
Fee and commission income				
entities with joint control or significant influence over the Bank	1 657		3 196	
key management personnel of the Bank	131		590	
subsidiaries	10		15	
other related parties	106		794	
Total fee and commission income	1 903	26 786	4 595	56 423
Net gain on foreign exchange operations				
entities with joint control or significant influence over the Bank	1 154		1 868	
key management personnel of the Bank	673		184	
subsidiaries	215		562	
other related parties	10		1 341	
Total net gain on foreign exchange operations	2 052	47 571	3 955	18 117
Operating expenses				
key management personnel of the Bank	(37)		(37)	
other related parties	(31 349)		(31 349)	
Total operating expenses	(31 386)	(206 091)	(31 386)	(321 946)
Key management personnel compensation				
Salaries	(56 250)		(62 301)	
Unified social tax	(1 071)		(1 939)	
Total key management personnel compensation	(57 321)	(155 636)	(64 240)	(217 630)

34 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank is presented below:

	June 30, 2010		December 31, 2009	
	Carrying amount (RUB '000)	**Fair value (RUB '000)**	**Carrying amount (RUB '000)**	**Fair value (RUB '000)**
FINANCIAL ASSETS				
Cash and balances with the CBR, less minimum reserve deposits with the CBR	267 863	267 863	354 176	354 176
Financial assets at fair value through profit or loss	461 188	461 188	452 253	452 253
Due from banks and other financial institutions	1 478 947	1 478 947	313 531	313 531
Loans to customers	6 251 684	6 251 684	6 438 004	6 438 004
Financial assets available-for-sale	670 392	670 392	182 367	182 367
Financial assets held to maturity	-	-	48 243	48 243
Other financial assets	8 097	8 097	8 477	8 477
FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation	-	-	653 222	653 222
Due to banks and other financial institutions	1 720 144	1 720 144	929 430	929 430
Customer accounts	4 318 779	4 318 779	3 531 597	3 531 597
Debt securities issued	1 368 228	1 368 228	1 114 533	1 114 533
Subordinated debt	154 586	154 586	148 695	148 695
Other financial liabilities	54 533	54 533	26 903	26 903

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not entail a significant amount of judgment.

- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Bank's valuation approach and fair value hierarchy categorization for certain significant classes of financial instruments recognized at fair value is as follows:

	June 30, 2010		
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**
Financial assets at fair value through profit or loss	461 188	-	-
Financial assets available-for-sale	640 150	-	30 242

	December 31, 2009		
	Quoted prices in active market (Level 1)	**Valuation techniques based on observable market data (Level 2)**	**Valuation techniques incorporating information other than observable market data (Level 3)**
Financial assets at fair value through profit or loss	452 253	-	-
Financial assets available-for-sale	154 432	-	27 935

35 Regulatory matters

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set out in the table) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee.

As of June 30, 2010 the Bank's total capital amount for Capital Adequacy purposes was RUB 1,862,181 thousand and and tier 1 capital amount was RUB 1,705,816 thousand with ratios of 23,26 % and 21,3%, respectively.

As at 31 December 2009 the Bank's total capital amount for Capital Adequacy purposes was RUB 1,751,7968 thousand and tier 1 capital amount was RUB 1,620,026 thousand with ratios of 22.12 % and 20.46%, respectively.

As of June 30, 2010 and December 31, 2009 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

36 Capital management

The Bank manages capital to ensure continuous operations of the Bank by maximizing the shareholders' profit through optimization of the debt/equity ratio.

The capital structure of the Bank consists of debt, which includes subordinated debt disclosed in Note 29, and equity, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Bank balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Bank's overall capital risk management policy remains unchanged since 2009.

37 Risk management policies

The management of risks is an essential element of the Bank's operations. The main risks inherent in the Bank's operations are those related to:

• credit risk

• liquidity risk

• market risk

The risk management responsibilities in the Bank are distributed among the following managements bodies and structural entities:

- The Board of Directors sets the strategy and policy for banking risk management; establishes the aggregate thresholds of acceptable banking risks, evaluates the effectiveness of the Bank's efforts aimed at implementing the approved risk management strategy and policy and controlling the level of risks.

- The Management Board is responsible for the implementation of the banking risk management strategy and policy. The competence of the Management Board also includes the following: analysing the quality of banking risk management, setting the limits for particular transactions of the Bank and ensuring control over compliance.

- Within his competence, the Chairman of the Management Board: organises and ensures effectiveness of the banking risk management system, including organization of risk monitoring and measurement systems; organization of complete and reliable reporting on banking risk management; determines the Bank's organizational structure (including authorities and responsibility of structural divisions and/or responsible persons) to ensure effective risk management; organizes activities to improve the skills of the Bank's staff engaged in banking risk management;

- The Bank's Credit Committee sets limits per borrowers and groups of related borrowers;

- The risk analysis and assessment department ("RAAD") is the key structural unit charged with risk assessment and analysis. RAAD's competence includes the following key matters: realization of banking risk management policy; risk assessment and monitoring on an ongoing basis; control over compliance with the acceptable levels of banking risks; reporting identified risks to the Bank's management bodies; preparation of reports; development of proposals and measures to mitigate risks; participation in discussions of risk management quality with the Management Board and the Board of Directors;

The key functions of the Bank's structural units in the area of banking risk management include: organization of control over factors which affect banking risks according to approved internal documents; timely reporting to the RAAD on factors which affect the level of risks; control of amendments to the Bank's internal documents and procedures where the conditions of banking operations (transactions) change; participation in the development of the Bank's internal documents relating to the structural unit's activity; making proposals on changes in such documents.

The Bank has set the tasks and objectives for the banking risk management system, and identified key stages and methods of banking risk management.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is managed in accordance with the established competencies by the Bank's Management Board, Credit Committee and Risk Analysis and Assessment Department.

To mitigate credit risk, the Bank reduces excessive concentration of assets by setting limits on counterparties and groups of related counterparties. Requests for limits are initiated by respective business units.

Analysis of borrower financial position and assessment of credit risk level are the responsibility of the Risk Analysis and Assessment Department.

Limits are set by the Credit Committee or the Management Board (for financial institutions and issuers) or the Chairman of the Management Board or an authorized employee (for small limits prescribed by the Bank's Credit Policy).

Limits for borrowers and counterparties are set as requests are received and then monitored and revised on an ongoing basis. Limits of lending "against turnover" are revised at least once a month.

Credit risk is assessed using methods set out in the Bank's internal documents.

A counterparty financial analysis includes analysis of the borrower's business, financial position, credit history, nature of the financed transaction and purpose of the loan. The financial position of legal entity borrowers is analysed on a quarterly basis, counterparty banks are monitored monthly. Solvency of individual borrowers is analysed on the basis of a special methodology each quarter.

To reduce the level of credit risk the Bank accepts various types of security for loans (pledge, guarantees, sureties, etc.) The Bank evaluates security givers. Independent appraisers are retained to evaluate security. The Bank demands that real estate, equipment and goods accepted as collateral be insured.

It is impossible to obtain pledge or guarantee on some loans. Such loans are continuously monitored.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

Maximum exposure to credit risk

The Bank’s maximum exposure to credit risk varies significantly and is dependent on the level of risks inherent in respective assets .

The following table presents the maximum exposure to credit risk of financial assets and contingent credit liabilities. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

June 30, 2010

	Maximum exposure	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and balances with the Central Bank of the Russian Federation	173 356	-	173 356
Financial assets at fair value through profit or loss	461 188	-	461 188
Due from banks and other financial institutions	1 478 947	-	1 478 947
Loans to customers	6 251 684	(2 283 768)	3 967 916
Financial assets available-for-sale	670 392	-	670 392
Financial assets held to maturity	-	-	-
Other financial assets	8 097	-	8 097
Commitments on loans and unused credit lines	55 163	-	55 163
Letters of credit payable	-	-	-
Guarantees	48 501	-	48 501

December 31, 2009			
	Максимальный размер кредитного риска	Обеспечение	Чистый размер кредитного риска после зачета и учета обеспечения
Cash and balances with the Central Bank of the Russian Federation	294 049	-	294 049
Financial assets at fair value through profit or loss	452 253	-	452 253
Due from banks and other financial institutions	313 531	-	313 531
Loans to customers	6 438 004	(3 131 195)	3 306 809
Financial assets available-for-sale	154 432	-	154 432
Financial assets held to maturity	48 243	-	48 243
Other financial assets	8 477	-	8 477
Commitments on loans and unused credit lines	99 347	-	99 347
Letters of credit payable	26 596	-	26 596
Guarantees	117 939	-	117 939

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

Cash and balances with the CBR as of June 30, 2010 and December 31, 2009 included RUB 173,356 thousand and RUB 294,049 thousand, respectively. The credit rating of the Russian Federation according to the international rating agencies in 2009 corresponded to investment level BBB.

The following table details the credit ratings of financial assets that are neither impaired nor past due:

June 30, 2010						
	AA	A	BBB	<BBB	Not rated	Total RUB'000
Financial assets at fair value through profit or loss	-	-	9 971	290 934	160 284	461 188
Due from banks and other financial institutions	-	726 961	232 907	291 676	227 402	1 478 947
Loans to customers	-	-	-	-	266 097	266 097
Financial assets available-for-sale	-	-	151 373	438 624	50 154	640 151
Other financial assets	-	-	-	-	8 097	8 097

December 31, 2009						
	AA	A	BBB	<BBB	Not rated	Total RUB'000
Financial assets at fair value through profit or loss	-	-	11 072	358 326	82 855	452 253
Due from banks and other financial institutions	-	210 649	74 394	858	27 630	313 531
Loans to customers	-	-	-	-	650 451	650 451
Financial assets available-for-sale	-	-	134 002	-	20 430	154 432
Financial assets held to maturity	-	-	-	48 243	-	48 243
Other financial assets	-	-	-	-	8 477	8 477

For Loans to customers the Bank applies the following internal rating categories:

Rating 1

Analysis of business and financial activities of a borrower as well as other information including analysis of a borrower's external environment indicate that a borrower's production processes are stable, its net assets are positive, operations are cost effective and there are no negative trends with a potential to affect a borrower's financial stability in future. Negative trends may include significant (non-seasonal) reduction in production growth rate and profitability measures as well as significant (non-seasonal) increases of accounts payable/receivable and other events;

Rating 2

Analysis of business and financial activities of a borrower as well as other information on a borrower indicate that although there are no direct threats to the borrower's current financial position, the borrower's activities are indicative of negative trends which in a foreseeable future, within a year, may result in financial problems unless improving measures are taken by a borrower.

Rating 3

Analysis of business and financial activities of a borrower as well as other information on a borrower are indicative of threatening negative trends in a borrower's business activities which are likely to result in a borrower becoming insolvent. Threatening negative trends in a borrower's activities may include: loss-making, negative amount or significant reduction of net assets, significantly decreased production, significantly increased accounts payable/receivable.

As of June 30, 2010 and December 31, 2009, the internal rating methodology used a scoring system based on a borrower's financial indicators and other factors.

Below are the internal ratings assigned by the Bank to loans issued:

	June 30, 2010	December 31, 2009
Rating 1	1 036 134	1 213 115
Rating 2	4 305 459	4 196 998
Rating 3	905 252	1 027 891
Total loans to customers	**6 251 684**	**6 438 004**

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is mainly concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

38 Geographical concentration

Based on the recommendations from the Legal Department, the Management Board exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activities. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Russian Federation. The Bank is located, operates and has principal customer base in the Moscow Region.

A significant portion of assets carrying country risks is represented by the balances on the correspondent NOSTRO accounts with banks residing in OECD countries. The Bank has established limits on borrowers (issuers) that are CIS residents (Belarus, Ukraine) and borrowers resident in the UK and Cyprus.

The following table details the geographical analysis of assets and liabilities of the Bank as of June 30, 2010 and December 31, 2009:

				June 30, 2010
	Russian Federation	OECD countries	Other non-OECD countries	**Total**
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	267 863	-	-	**267 863**
Financial assets at fair value through profit or loss	461 188	-	-	**461 188**
Due from banks and other financial institutions	667 972	810 693	282	**1 478 947**
Loans to customers	5 704 825	265 034	281 825	**6 251 684**
Financial assets available-for-sale	670 392	-	-	**670 392**
Other financial assets	8 097	-	-	**8 097**
Total financial assets	**7 780 337**	**1 075 727**	**282 107**	**9 138 171**

FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation		-	-	**0**
Due to banks and other financial institutions	1 715 182	-	4 962	**1 720 144**
Customer accounts	4 232 204	72 041	14 534	**4 318 779**
Debt securities issued	720 790	622 267	25 171	**1 368 228**
Other financial liabilities	54 533	-	-	**54 533**
Subordinated debt	154 586	-	-	**154 586**
Total financial liabilities	**6 877 295**	**694 308**	**44 667**	**7 616 270**
Net position	**903 042**	**381 419**	**237 440**	

December 31, 2009

	Russian Federation	OECD countries	Other non-OECD countries	**Total**
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	354 176	-	-	**354 176**
Financial assets at fair value through profit or loss	452 253	-	-	**452 253**
Due from banks and other financial institutions	101 752	211 489	290	**313 531**
Loans to customers	5 967 842	188 872	281 290	**6 438 004**
Financial assets available-for-sale	182 367	-	-	**182 367**
Financial assets held to maturity	48 243	-	-	**48 243**
Other financial assets	8 477	-	-	**8 477**
Total financial assets	**7 115 110**	**400 361**	**281 580**	**7 797 051**
FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation	653 222	-	-	653 222
Due to banks and other financial institutions	927 834	-	1 596	929 430
Customer accounts	3 212 250	315 565	3 782	3 531 597
Debt securities issued	727 753	338 165	48 615	1 114 533
Other financial liabilities	26 903	-	-	26 903
Subordinated debt	148 695	-	-	148 695
Total financial liabilities	**5 696 657**	**653 730**	**53 993**	**6 404 380**
Net position	**1 418 453**	**(253 369)**	**227 587**	

Market risk

Market risk is a risk that the Bank may incur losses due to adverse changes in the value of trading financial instruments and derivatives of the Bank, as well as foreign exchange rates and (or) precious metals rates. Therefore, market risks include stock market risk, currency risk and interest risks.

The main objective of market risk management is to minimize losses due to adverse changes in market prices of equity instruments; and to take measures to keep the market risk at a level which would not threaten the Bank's financial stability and interests of its creditors and depositors.

Methods aimed at market risk mitigation include diversification; hedging of open positions; ongoing monitoring of investments; non-performance of operations with unreasonably volatile positions; setting limits on financial instruments and securities issuers and control of compliance; setting stop-loss limits; setting limits on net positions; assessment of risks in accordance with internal documents developed on the basis of the Bank of Russia regulations; forecasting net currency positions values in foreign currencies and precious metals and control of compliance with the limits; distribution of authorities in decision-making in the Bank's operations.

Interest rate risk

Interest rate risk is a risk that the Bank may incur financial losses due to adverse changes in interest rates on assets, liabilities and off-balance sheet instruments. The objective of interest rate risk management is to maintain the risk accepted by the Bank at a level determined by the Bank in accordance with its strategic tasks. The Bank's priority is to ensure maximum safety of assets and equity on the basis of decrease (elimination) of possible losses and lost profit on the Bank's investments in financial instruments. To identify and assess the indicators of interest rate risk the Bank has developed a list of financial instruments sensitive to interest rate changes and any changes to this list may mean changes / emergence of additional factors affecting the level of a qualitatively different interest rate risk accepted by the Bank. To estimate the interest rate risk the Bank uses the following methods: interest margin calculation and gap analysis, which cover all the material sources of interest rate risk inherent in the operations and transactions conducted by the Bank.

The table below provides a general analysis of the Bank's interest rate risk prepared on the basis of weighted average interest rates at year end.

	June 30, 2010			**December 31, 2009**		
	RUB	USD	EUR	RUB	USD	EUR
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss	12,04%	-	-	14,84%	-	-
Financial assets available-for-sale	8,02%	-	-	7,94%	-	-
Due from banks and other financial institutions	3,00%	0,50%	0,38%	2,71%	0,50%	1,00%
Loans to customers	15,60%	14,98%	15,89%	16,42%	15,18%	15,97%
FINANCIAL LIABILITIES						
Due to the Central Bank of the Russian Federation	-	-	-	9,65%	-	-
Due to banks and other financial institutions	0,10%	-	-	8,5%	12,00%	-
Customer accounts	14,83%	9,50%	8,14%	15,54%	9,96%	8,95%
Debt securities issued	11,43%	12,32%	13,90%	12,27%	11,25%	13,74%
Subordinated debt	8,00%	-	-	8,00%	-	-

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

	June 30, 2010		**December 31, 2009**	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
Impact on profit before tax				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss	9 224	(9 224)	9 045	(9 045)
Due from banks and other financial institutions	2 325	(2 325)	2 991	(2 991)
Loans to customers	125 034	(125 034)	128 760	(128 760)
Financial assets available-for-sale	12 803	(12 803)	3 089	(3 089)
Financial assets held to maturity	-	-	965	(965)
FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation	-	-	(13 064)	13 064
Due to banks and other financial institutions	(34 277)	34 277	(18 547)	18 547
Customer accounts	(48 496)	48 496	(48 413)	48 413
Debt securities issued	(27 365)	27 365	(22 291)	22 291
Subordinated debt	(3 092)	3 092	(2 974)	2 974
Net impact on profit before tax	**36 156**	**(36 156)**	**39 560**	**(39 560)**

Impact on equity:	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss	7 379	(7 379)	7 236	(7 236)
Due from banks and other financial institutions	1 860	(1 860)	2 393	(2 393)
Loans to customers	100 027	(100 027)	103 008	(103 008)
Financial assets available-for-sale	10 242	(10 242)	2 471	(2 471)
Financial assets held to maturity	-	-	772	(772)
FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation	-	-	(10 452)	10 452
Due to banks and other financial institutions	(27 422)	27 422	(14 837)	14 837
Customer accounts	(38 797)	38 797	(38 730)	38 730
Debt securities issued	(21 892)	21 892	(17 833)	17 833
Subordinated debt	(2 473)	2 473	(2 379)	2 379
Net impact on equity	**28 925**	**(28 925)**	**31 649**	**(31 649)**

Currency risk

Currency risk is the risk of losses due to adverse change of foreign exchange and (or) precious metals rates on open positions in foreign currencies and (or) precious metals. The objectives of currency risk management include minimizing the Bank's losses when building assets and liabilities with the use of foreign currencies; preventing incompliance with the Russian currency legislation and foreign currency control regulations when conducting foreign currency operations and performing foreign currency control agent functions.

The main methods of currency risk management used by the Bank include: calculation of net currency position values and compliance with the established limits; limiting of operations with instruments denominated in a foreign currency and precious metals; forecasting of rates; hedging; diversification; insurance (selection by the Bank of the currency for the contract price as a method of currency risk insurance). The objective is to set the contract price in such a currency of which the fluctuations will be favorable; to structurally balance assets and liabilities; accounts receivable and payable.

The Treasury conducts daily monitoring of the net currency position to ensure it is in compliance with the requirements of the Central Bank of the Russian Federation; control over compliance is the responsibility of the Risk Analysis and Assessment Department.

As of June 30, 2010 the Bank's currency positions were as follows:

	RUB	USD	EUR	Gold	Other currencies	**Total**
FINANCIAL ASSETS						
Cash and balances with the Central Bank of the Russian Federation	171 840	36 563	59 460	-	-	**267 863**
Financial assets at fair value through profit or loss	461 188	-	-	-	-	**461 188**
Due from banks and other financial institutions	508 581	849 936	120 148	-	282	**1 478 947**
Loans to customers	4 085 534	1 724 055	442 095	-	-	**6 251 684**
Financial assets available-for-sale	668 085	-	-	-	2 307	**670 392**
Other financial assets	8 097	-	-	-	-	**8 097**
Total financial assets	**5 903 325**	**2 610 554**	**621 703**	**-**	**2 589**	**9 138 171**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	783 438	936 668	38	-	-	**1 720 144**
Customer accounts	2 896 917	919 225	496 476	6 139	22	**4 318 779**
Debt securities issued	469 986	731 185	167 057	-	-	**1 368 228**
Other financial liabilities	54 533	-	-	-	-	**54 533**
Subordinated debt	154 586	-	-	-	-	**154 586**
Total financial liabilities	**4 359 460**	**2 587 078**	**663 571**	**6 139**	**22**	**7 616 270**
Net position	**1 543 865**	**23 476**	**(41 868)**	**(6 139)**	**2 567**	

	RUB	USD	EUR	Gold	Other currencies	**Total**
Payables on forward and spot transactions	(182 052)	(251 571)	(97 076)	**-**	**-**	**(530 699)**
Receivables on forward and spot transactions	339 084	85 698	105 917	**-**	**-**	**530 699**
Net position on derivative forward and spot transactions	**157 032**	**(165 873)**	**8 841**	**-**	**-**	
TOTAL NET POSITION	**1 700 897**	**(142 397)**	**(33 027)**	**(6 139)**	**2 567**	

As of December 31, 2009 the Bank's currency positions were as follows:

	RUB	USD	EUR	Gold	Other currencies	**Total**
FINANCIAL ASSETS						
Cash and balances with the Central Bank of the Russian Federation	285 551	48 245	20 380	-	-	**354 176**
Financial assets at fair value through profit or loss	452 253	-	-	-	-	**452 253**
Due from banks and other financial institutions	47 902	104 537	160 802	-	290	**313 531**
Loans to customers	3 632 899	2 241 140	563 965	-	-	**6 438 004**
Financial assets available-for-sale	182 367	-	-	-	-	**182 367**
Financial assets held to maturity	48 243	-	-	-	-	**48 243**
Other financial assets	8 477	-	-	-	-	**8 477**
Total financial assets	**4 657 692**	**2 393 922**	**745 147**	**-**	**290**	**7 797 051**
FINANCIAL LIABILITIES						
Due to the Central Bank of the Russian Federation	653 222	-	-	-		**653 222**
Due to banks and other financial institutions	22 091	907 339	-	-		**929 430**
Customer accounts	1 962 078	864 822	699 413	5 261	23	**3 531 597**
Debt securities issued	183 163	813 569	117 801	-		**1 114 533**
Other financial liabilities	26 903	-	-	-		**26 903**
Subordinated debt	148 695	-	-	-		**148 695**
Total financial liabilities	**2 996 152**	**2 585 730**	**817 214**	**5 261**	**23**	**6 404 380**
Net position	**1 661 540**	**(191 808)**	**(72 067)**	**(5 261)**	**267**	
	Рубли	Доллары США	Евро	Золото	Прочие валюты	**Итого**
Payables on forward and spot transactions	(99 144)	(15 431)	**-**	**-**	**-**	**(114 575)**
Receivables on forward and spot transactions	15 431	99 144	**-**	**-**	**-**	**114 575**
Net position on derivative forward and spot transactions	**(83 713)**	**83 713**	**-**	**-**	**-**	
TOTAL NET POSITION	**1 577 827**	**(108 095)**	**(72 067)**	**(5 261)**	**267**	

Currency risk sensitivity analysis

The following table details the Bank's sensitivity to increase and decrease in the USD and EUR against the RUB. As of June 30, 2010, the ranges from +3% to -5% for USD and from +6% to -2% for EUR represent the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates on the basis of assessment of internal and external factors (balance of payments, situation in Euro zone, Forex market and oil prices). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a respective change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	June 30, 2010		**December 31, 2009**	
	RUB/USD +3%	RUB/USD -5%	RUB/USD +6%	RUB/USD -7%
Impact on profit before tax	(4 666)	4 756	(1 862)	1 880
Impact on equity	(3 733)	3 805	(1 490)	1 504
	RUB/EUR +6%	RUB/EUR -2%	RUB/EUR +0%	RUB/EUR -12%
Impact on profit before tax	7 773	(7 480)	-	36 909
Impact on equity	6 223	(5 989)	-	29 527

Limitations of sensitivity analysis
The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty. The assumption that all interest rates change in an identical manner is another limitation.

Stock market risk

Stock market risk is a risk that losses may be incurred due to adverse changes in market prices of equity instruments of the trade portfolio and derivatives under the influence of factors related both to the issuer of equity instruments and to general fluctuations of market prices of financial instruments.

The main methods of stock market risk management used by the Bank include: risk avoidance, setting limits (per securities issuers; market; dealer; stop-loss, etc.); hedging; diversification; forecasting; technical stock market analysis; assessment of the financial market situation; analysis of economic and financial market indicators; assessment of an issuer's financial position; setting limits on the duration of investments in financial instruments.

The Bank is exposed to stock market risks arising from equity investments. As at December 31, 2009 the amount of equity investments is not significant.

The table below represents the analysis of sensitivity to price risk based on the balance sheet position for equity investments at the reporting date.

In case prices of equity securities would increase/decrease:

	June 30, 2010		**December 31, 2009**	
	Increase by +5%	Decrease by -5%	Increase by +5%	Decrease by -5%
Impact on equity:				
Financial assets available-for-sale	1 512	(1 512)	1 397	(1 397)
Total impact on equity	**1 512**	**(1 512)**	**1 397**	**(1 397)**

Liquidity risk

Liquidity risk is a risk that the Bank may incur losses due to the failure to perform its obligations in full.

The key elements of liquidity management and assessment include:

- the procedure of managing current (daily) payment position (daily payment position is managed by the Treasury via transactions in the domestic and external financial markets with a view to maximize the efficiency of the use of the Bank's funds while complying with all its obligations);

- analysis of the risk of loss of liquidity due to gaps in the maturities of assets and liabilities (management of assets and liabilities depending on maturities, calculation of the excess (deficit) of liquidity, and the ratio of excess (deficit) of liquidity). RAAD analyses the liquidity risk on a continuous basis with respect to the aggregate value of national currency exposure as a result of all the transactions entered and performs a preliminary analysis of the impact of planned major transactions on the level of liquidity.

- daily monitoring of future expected cash flows on customer and banking operations, which is part of assets/liabilities management process.

An analysis of the balance sheet interest rate risk and liquidity risk as of June 30, 2010 is presented below:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	**Total**
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss	461 188	-	-	-	-	**461 188**
Due from banks and other financial institutions	116 262	-	-	-	-	**116 262**
Loans to customers	962 572	790 781	1 833 326	2 232 851	432 154	**6 251 684**
Financial assets available-for-sale	-	-	339 483	300 667	-	**640 150**
Total interest bearing financial assets	1 540 022	790 781	2 172 809	2 533 518	432 154	**7 469 284**
Cash and balances with the Central Bank of the Russian Federation	267 863	-	-	-	-	**267 863**
Due from banks and other financial institutions	1 362 685	-	-	-	-	**1 362 685**
Financial assets available-for-sale	2 319	-	-	27 923	-	**30 242**
Other financial assets	-	8 097	-	-	-	**8 097**
Total financial assets	**3 172 889**	**798 878**	**2 172 809**	**2 561 441**	**432 154**	**9 138 171**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	-	-	-	1 713 862	-	**1 713 862**
Customer accounts	959 009	352 691	1 095 301	15 501	2 289	**2 424 791**
Debt securities issued	6 169	75 641	1 055 012	231 406	-	**1 368 228**
Subordinated debt	-	-	6 086	-	148 500	**154 586**
Total interest bearing financial liabilities	965 178	428 332	2 156 399	1 960 769	150 789	**5 661 467**
Due to banks and other financial institutions	6 282	-	-	-	-	**6 282**
Customer accounts	1 893 988	-	-	-	-	**1 893 988**
Other financial liabilities	54 533	-	-	-	-	**54 533**
Total financial liabilities	**2 919 981**	**428 332**	**2 156 399**	**1 960 769**	**150 789**	**7 616 270**
Liquidity gap	252 908	370 546	16 410	600 672	281 365	
Interest sensitivity gap	574 844	362 449	16 410	572 749	281 365	
Cumulative interest sensitivity gap	574 844	937 293	953 703	1 526 452	1 807 817	
Cumulative interest sensitivity gap as a percentage of total assets	6%	10%	10%	17%	20%	

An analysis of the balance sheet interest rate risk and liquidity risk at December 31, 2009 is presented below:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	**Total**
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss	452 253	-	-	-	-	**452 253**
Financial assets held to maturity	-	-	48 243	-	-	**48 243**
Due from banks and other financial institutions	149 542	-	-	-	-	**149 542**
Loans to customers	660 535	982 841	3 042 675	1 726 318	25 635	**6 438 004**
Financial assets available-for-sale	-	20 430		-	134 002	**154 432**
Total interest bearing financial assets	1 262 330	1 003 271	3 090 918	1 726 318	159 637	**7 242 474**
Cash and balances with the Central Bank of the Russian Federation	354 176	-	-	-	-	**354 176**
Due from banks and other financial institutions	163 989	-	-	-	-	**163 989**
Financial assets available-for-sale	12	-	-	27 923	-	**27 923**
Other financial assets	-	8 477	-	-	-	**8 477**
Total financial assets	**1 780 507**	**1 011 748**	**3 090 918**	**1 754 241**	**159 637**	**7 797 051**
FINANCIAL LIABILITIES						
Due to the Central Bank of the Russian Federation	-	24 387	628 835	-	-	**653 222**
Due to banks and other financial institutions	20 005	-	-	907 326	-	**927 331**
Customer accounts	186 894	585 547	1 630 685	16 912	597	**2 420 635**
Debt securities issued	223 949	166 345	362 205	362 034	-	**1 114 533**
Subordinated debt	-	-	195	-	148 500	**148 695**
Total interest bearing financial liabilities	430 848	776 279	2 621 920	1 286 272	149 097	**5 264 416**
Due to banks and other financial institutions	2 099	-	-	-	-	**2 099**
Customer accounts	1 110 962	-	-	-	-	**1 110 962**
Other financial liabilities	26 903	-	-	-	-	**26 903**
Total financial liabilities	**1 570 812**	**776 279**	**2 621 920**	**1 286 272**	**149 097**	**6 404 380**
Liquidity gap	209 695	235 469	468 998	467 969	10 540	
Interest sensitivity gap	831 482	226 992	468 998	440 046	10 540	
Cumulative interest sensitivity gap	831 482	1 058 474	1 527 472	1 967 518	1 978 058	
Cumulative interest sensitivity gap as a percentage of total assets	11%	14%	20%	25%	25%	

Term deposits of individuals are presented on the basis of contractual maturities. However, such deposits may be withdrawn by customers on demand.

Banks in Russia generally do not offer long-term credits and overdrafts. However, in the Russian marketplace many short-term credits are granted with the expectation of renewing the loans at maturity. Thus, actual maturities of the assets may differ from those in the table below.

The table below presents distribution of the undiscounted cash flows on financial liabilities (both interest and principal) and unrecognized credit commitments based on the earliest contractual date on which the Bank can be required to pay as of June 30, 2010 and December 31, 2009. The total nominal amount of cash outflows presented in the table represents undiscounted contractual cash flows on financial liabilities or contingent commitments. The cash flows expected by the Bank from these financial liabilities and unrecognized credit commitments may differ from the analysis below:

	On demand and less than 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Total as of June 30, 2010**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	-	-	-	2 076 647	-	**2 076 647**
Customer accounts	966 149	358 015	1 161 535	18 543	117 885	**2 622 127**
Debt securities issued	6 239	77 500	1 139 429	271 961	-	**1 495 129**
Subordinated debt	-	-	17 966	47 520	201 879	**267 365**
Total interest bearing financial liabilities	972 388	435 515	2 318 930	2 414 671	319 764	**6 461 268**
Due to banks and other financial institutions	6 282	-	-	-	-	**6 282**
Customer accounts	1 893 988	-	-	-	-	**1 893 988**
Other financial liabilities	54 533	-	-	-	-	**54 533**
Total financial liabilities	**2 927 191**	**435 515**	**2 318 930**	**2 414 671**	**319 764**	**8 416 071**
Contingent credit commitments	-	**8 750**	**81 133**	**13 782**	-	**103 665**

	On demand and less than 1 month	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Total as of December 31, 2009**
FINANCIAL LIABILITIES						
Due to the Central Bank of the Russian Federation	-	24 811	672 799	-	-	**697 610**
Due to banks and other financial institutions	20 121	-	-	1 101 220	-	**1 121 341**
Customer accounts	187 645	594 943	1 741 886	18 702	1 309	**2 544 485**
Debt securities issued	225 939	170 644	388 003	421 998	-	**1 206 584**
Subordinated debt	-	-	12 075	47 520	207 770	**267 365**
Total interest bearing financial liabilities	433 705	790 398	2 814 763	1 589 440	209 079	**5 837 385**
Due to banks and other financial institutions	2 099	-	-	-	-	**2 099**
Customer accounts	1 110 962	-	-	-	-	**1 110 962**
Other financial liabilities	26 903	-	-	-	**-**	**26 903**
Total financial liabilities	**1 573 669**	**790 398**	**2 814 763**	**1 589 440**	**209 079**	**6 977 349**
Contingent credit commitments	**38 017**	**93 148**	**89 786**	**22 932**	**-**	**243 883**

Approved by and signed on behalf of the Management Board

[ ] Chairman of the Management Board S.N. Smirnov

[ ] Chief Accountant E.M. Merkulova

23 November 2010
Moscow