

**PROMSVYAZBANK**

Interim Consolidated Condensed  
Financial Information

for the six-month period ended

30 June 2011

(unaudited)

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## ***Review Report***

To the Board of Directors and Shareholders of OAO "Promsvyazbank":

### **Introduction**

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

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*ZAO PricewaterhouseCoopers Audit*

30 August 2011  
Moscow, Russian Federation

**Promsvyazbank**

**Interim Consolidated Condensed Statement of Financial Position as at 30 June 2011**

(expressed in thousands of Russian Roubles – refer to Note 2)

	Notes	30 June 2011 (unaudited)	31 December 2010
<b>ASSETS</b>			
Cash and cash equivalents	5	51 335 604	45 182 249
Obligatory reserves with central banks		6 083 074	3 015 876
Placements with banks and other financial institutions		9 770 714	12 122 032
Financial assets at fair value through profit or loss	6	39 389 073	46 004 572
Amounts receivable under reverse repurchase agreements		15 928 825	15 949 846
Loans to customers	7	323 798 335	310 947 643
Investments available for sale	8	2 794 662	2 203 213
Investments held to maturity		2 941 922	3 966 911
Assets held for sale	9	3 344 764	5 944 765
Other assets		2 679 954	2 513 778
Current income tax prepayments		523 555	612 254
Deferred tax asset		1 019 637	1 065 008
Property and equipment		25 090 652	25 598 772
<b>TOTAL ASSETS</b>		<b>484 700 771</b>	<b>475 126 919</b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss		616 927	1 593 384
Deposits and balances from banks and other financial institutions	10	54 687 400	59 677 877
Amounts payable under repurchase agreements		4 875 368	2 790 016
Current accounts and deposits from customers	11	290 964 056	297 046 845
Own securities issued	12	55 635 073	32 127 497
Other borrowed funds	13	8 976 160	12 802 195
Other liabilities		2 882 726	2 439 590
Current income tax payable		19 491	948
Deferred tax liability		52 571	55 645
Subordinated borrowings		20 094 411	21 817 689
<b>TOTAL LIABILITIES</b>		<b>438 804 183</b>	<b>430 351 686</b>
<b>EQUITY</b>			
Share capital		11 511 052	11 511 052
Share premium		17 303 093	17 303 093
Additional paid-in-capital		81 919	81 919
Revaluation reserve for property		2 631 435	2 717 232
Revaluation reserve for investments available for sale		(116 778)	(80 230)
Retained earnings		14 559 910	13 242 167
<b>Total equity attributable to owners of the parent</b>		<b>45 970 631</b>	<b>44 775 233</b>
Non-controlling interest		(74 043)	-
<b>TOTAL EQUITY</b>		<b>45 896 588</b>	<b>44 775 233</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>484 700 771</b>	<b>475 126 919</b>

Approved by the Management Board on 30 August 2011.

Konstantina A. U.  
President



Volchenko A. U.  
First Vice-president

The notes set out on pages 9 to 50 form an integral part of this interim consolidated condensed financial information.

**Promsvyazbank****Interim Consolidated Condensed Income Statement for the six-month period ended 30 June 2011***(expressed in thousands of Russian Roubles – refer to Note 2)*

	Notes	Six-month period ended 30 June 2011 (unaudited)	Six-month period ended 30 June 2010 (unaudited)
Interest income		20 037 446	24 321 853
Interest expense		(10 666 850)	(14 216 878)
<b>Net interest income</b>	14	<b>9 370 596</b>	<b>10 104 975</b>
Fee and commission income	15	4 224 502	3 383 948
Fee and commission expense	16	(759 970)	(663 223)
<b>Net fee and commission income</b>		<b>3 464 532</b>	<b>2 720 725</b>
Net gain/(loss) on financial instruments at fair value through profit or loss	17	514 670	(700 356)
Net foreign exchange gain		120 163	375 157
Other income and expense		107 651	636 110
<b>Operating income</b>		<b>13 577 612</b>	<b>13 136 611</b>
Loan impairment charge	7	(3 932 534)	(5 211 407)
Other impairment charge		(12 905)	(122 964)
General and administrative expenses	18	(8 086 535)	(6 968 990)
		<b>(12 031 974)</b>	<b>(12 303 361)</b>
<b>Profit before tax</b>		<b>1 545 638</b>	<b>833 250</b>
Income tax expense		(384 022)	(270 951)
<b>Profit after tax</b>		<b>1 161 616</b>	<b>562 299</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent		1 231 946	563 992
Non-controlling interest		(70 330)	(1 693)

**Promsvyazbank****Interim Consolidated Condensed Statement of Comprehensive Income for the six-month period ended****30 June 2011***(expressed in thousands of Russian Roubles – refer to note 2)*

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	Notes	Six-month period ended 30 June 2011 (unaudited)	Six-month period ended 30 June 2010 (unaudited)
<b>Profit after tax</b>		<b>1 161 616</b>	<b>562 299</b>
<b>Other comprehensive income</b>			
Revaluation of property and equipment		(107 246)	-
Income tax related to revaluation of property and equipment		21 449	-
Revaluation of investments available for sale, net of deferred tax		(45 684)	(120 764)
Income tax related to revaluation of investments available for sale		9 136	24 153
<b>Other comprehensive loss, net of tax</b>		<b>(122 345)</b>	<b>(96 611)</b>
<b>Total comprehensive income</b>		<b>1 039 271</b>	<b>465 688</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the parent		1 109 601	467 381
Non-controlling interest		(70 330)	(1 693)

	Notes	Six-month period ended 30 June 2011 (unaudited)	Six-month period ended 30 June 2010 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		19 248 431	21 830 804
Fee and commission received		4 295 182	3 474 544
Interest paid		(9 960 424)	(13 408 459)
Fee and commission paid		(675 048)	(647 790)
Net receipts/(payments) from financial instruments at fair value through profit or loss		167 861	(606 137)
Net receipts/(payments) from foreign exchange transactions		1 128 386	(2 334 506)
Other expense received		107 651	152 314
General and administrative expenses paid		(7 468 931)	(6 260 313)
		<b>6 843 108</b>	<b>2 200 457</b>
<b>(Increase) in operating assets</b>			
Obligatory reserves with central banks		(3 067 285)	(410 914)
Placements with banks and other financial institutions with original maturity of over one month		1 874 637	(6 529 499)
Financial assets at fair value through profit or loss		6 342 428	(1 591 853)
Amounts receivable under reverse repurchase agreements		19 455	(7 456 484)
Loans to customers		(25 489 747)	(23 330 024)
Other assets		(664 004)	(472 719)
<b>Increase/(decrease) in operating liabilities</b>			
Financial liabilities at fair value through profit or loss		(1 203 648)	698 850
Deposits and balances from banks and other financial institutions		(2 072 939)	(12 309 467)
Amounts payable under repurchase agreements		2 084 015	248 688
Current accounts and deposits from customers		2 718 611	(6 202 781)
Promissory notes and certificates of deposit		(2 080 904)	(5 341 998)
Other liabilities		342 766	(36 791)
<b>Net cash flows used in operating activities before taxes paid</b>		<b>(14 353 507)</b>	<b>(60 534 535)</b>
Income tax paid		(224 380)	(114 744)
<b>Cash flows used in operations</b>		<b>(14 577 887)</b>	<b>(60 649 279)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries		7 573	(1 544 941)
Purchases of investments available for sale		(637 020)	(995 288)
Purchases of investments held to maturity		-	(1 491 850)
Redemption of investments held to maturity		1 044 289	3 739 029
Purchases of property and equipment		(347 309)	(2 634 906)
Disposals of property and equipment		419 924	131 923
Purchases/(disposal) of assets held for sale		2 600 001	(3 344 764)
<b>Cash flows from/(used in) investing activities</b>		<b>3 087 458</b>	<b>(6 140 797)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of loan participation notes and domestic bonds		27 533 874	2 830 994
Repurchase of senior loan participation notes and domestic bonds		(1 476 790)	(8 970 742)
Repayment of other borrowed funds		(5 127 585)	(9 355 697)
Proceeds from other borrowed funds		2 065 000	7 769 025
Proceeds from issuance of share capital		-	5 431 906
Repayment of subordinated debt		-	(2 379 696)
<b>Cash flows from/(used in) financing activities</b>		<b>22 994 499</b>	<b>(4 674 210)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11 504 070</b>	<b>(71 464 286)</b>
Effect of changes in exchange rates on cash and cash equivalents		(5 350 715)	(2 238 766)
Cash and cash equivalents at the beginning of the period		45 182 249	108 322 648
<b>Cash and cash equivalents at the end of the period</b>	4	<b>51 335 604</b>	<b>34 619 596</b>

**Promsvyazbank**

**Interim Consolidated Condensed Statement of Changes in Equity for the six-month period ended 30 June 2011**

*(expressed in thousands of Russian Roubles – refer to Note 2)*

	Attributable to equity holders of the parent							Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property and equipment	Revaluation reserve for investments available for sale	Retained earnings	Total		
<b>Balance as at 31 December 2009</b>	<b>10 062 544</b>	<b>13 319 695</b>	<b>1 056 102</b>	<b>2 353 907</b>	<b>160</b>	<b>11 147 632</b>	<b>37 940 040</b>	<b>265 341</b>	<b>38 205 381</b>
Total comprehensive income/(loss)	-	-	-	-	(96 611)	563 992	467 381	(1 693)	465 688
Share issue	1 448 508	3 983 398	-	-	-	-	5 431 906	-	5 431 906
Purchase of non-controlling interest of subsidiaries	-	-	(974 183)	-	-	(382 614)	(1 356 797)	(257 408)	(1 614 205)
<b>Balance as at 30 June 2010</b>	<b>11 511 052</b>	<b>17 303 093</b>	<b>81 919</b>	<b>2 353 907</b>	<b>(96 451)</b>	<b>11 329 010</b>	<b>42 482 530</b>	<b>6 240</b>	<b>42 488 770</b>
Total comprehensive income	-	-	-	363 325	16 221	1 913 157	2 292 703	1 693	2 294 396
Purchase of non-controlling interest of subsidiaries	-	-	-	-	-	-	-	(7 933)	(7 933)
<b>Balance as at 31 December 2010</b>	<b>11 511 052</b>	<b>17 303 093</b>	<b>81 919</b>	<b>2 717 232</b>	<b>(80 230)</b>	<b>13 242 167</b>	<b>44 775 233</b>	<b>-</b>	<b>44 775 233</b>
Total comprehensive income/(loss)	-	-	-	(85 797)	(36 548)	1 231 946	1 109 601	(70 330)	1 039 271
Disposal of buildings - effect on retained earnings	-	-	-	-	-	85 797	85 797	-	85 797
Purchase of non-controlling interest of subsidiaries	-	-	-	-	-	-	-	(3 713)	(3 713)
<b>Balance as at 30 June 2011</b>	<b>11 511 052</b>	<b>17 303 093</b>	<b>81 919</b>	<b>2 631 435</b>	<b>(116 778)</b>	<b>14 559 910</b>	<b>45 970 631</b>	<b>(74 043)</b>	<b>45 896 588</b>

## 1 Background

### Principal activities

Promsvyazbank Group (the “Group” or “Promsvyazbank”) consists of various legal entities formed under the laws of the Russian Federation (the “RF”) and other countries (Refer to Note 2 for the list of subsidiaries). OAO Promsvyazbank (the “Bank”), which is the parent company of the Group, was initially established in the Russian Federation as a limited liability company converting subsequently to a closed joint-stock company in July 2001 and finally to an open joint-stock company in September 2007. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank’s operations were expanded to include transactions with all types of foreign currencies and transactions with individuals in foreign currencies on 30 December 1996 and 31 December 1997, respectively.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the “CBR”). The Bank holds a full (general) banking license from the CBR and is also authorised by the CBR to trade in precious metals. In October 2004, the CBR accepted the Bank into the State deposit insurance system. In addition, the Group holds licenses from the Federal Service for Financial Markets (the “FSFM”) to act as a broker, dealer, custodian and a securities manager in the Russian securities market. The Group also holds a license from the FSFM as a commodities exchange broker to trade futures and options.

The Group’s principal activities are currently in commercial banking. These activities consist of corporate, small and medium entities (“SME”) and retail banking. Corporate banking includes deposit taking and lending to corporate borrowers, factoring, settlements, cash operations, documentary transactions. Corporate banking services also include trade and project finance. SME banking includes deposit taking and lending to small and medium entities, settlements and cash operations. Retail banking includes deposit taking and retail lending, money transfer and banking card services, foreign exchange and cash operations with individuals, asset management.

The Group also offers investment banking services, including corporate finance, debt and equity capital markets, brokerage, repo transactions and securities trading, foreign exchange, precious metals and banknote operations.

The table below summarises information about the branch network.

	<b>30 June 2011</b>	<b>30 December 2010</b>
Branches	38	47
Full-service sub-branches	58	128
Retail and SME sub-branches	118	72
Representative offices	4	4
Operational offices	37	2
<b>Total number of offices</b>	<b>255</b>	<b>253</b>

As at 30 June 2011 the Bank operated 37 branches (2010: 46 branches) located within the Russian Federation and a branch located in Limassol (Cyprus). As at 30 June 2011 representative offices are located in the Russian Federation, China, India and Ukraine.

The Group intends pursue optimization of branch network and for this purpose the status of some branches and full-service sub-branches were changed.

The Bank’s head office is registered and carries out its activities at the following address: 109052, Smirnovskaya 10, Moscow, Russian Federation.

**Shareholders as at 30 June 2011**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Promsvyaz Capital B. V.*	72.93 %	72.93 %
Commerzbank Auslandsbanken Holding AG	15.32 %	15.32 %
European Bank for Reconstruction and Development	11.75 %	11.75 %
	<b>100.00 %</b>	<b>100.00 %</b>

\* - Promsvyaz Capital B. V. (Netherlands) is owned by Peters International N. V. (Netherlands). Mr D. N. Ananyev and Mr A. N. Ananyev each beneficially own 50% of Peters International N.V.

**Russian business environment**

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The 2008 global financial crisis followed by a considerable decline of global commodity prices has had a severe effect on the Russian economy, but the timely adoption of sufficient stimulus package by the Government helped the economy to return back to growth already in 2009. The steps taken by the Russian Government were aimed at stimulation of internal demand in the economy and helping the systemically important industries to overcome the consequences of the global economic crisis, whilst keeping the currently moderate budget deficit under control. The national reserve fund that's been formed by the excessive oil revenues during the buoyant times and is being replenished now, helps the Russian economy to overcome the difficulties during the crisis times. Albeit Russia remains dependent upon global commodity prices, considerable efforts are being taken by the government to diversify and modernize the economy.

The banking system is still experiencing the effects of the crisis and has not fully recovered. Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Some borrowers of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. However, improved international raw material prices in 2010 as well as increased demand and purchasing power, and business recovery led to increased sales and consequently increased revenues of the borrowers from certain sectors of the economy.

The market in Russia for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. In some cases the Group has also experienced unforeseeable delays in recovering collateral. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period. Under IFRS, impairment losses on financial assets expected as a result of future events, no matter how likely, cannot be recognised until such events arise.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. 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.

Management is unable to reliably determine the effects on the Group's future financial position of any potential 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 development of the Group's business in the current circumstances.

## 2 Basis of preparation

### Statement of compliance

The accompanying interim consolidated condensed financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* and all applicable International Financial Reporting Standards (“IFRS”). It does not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

### Basis of measurement

The interim consolidated condensed financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available for sale investments for which fair value can be reliably measured are stated at fair value, and buildings are revalued periodically.

### Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”). The functional currency for each group company is determined as the currency of the primary economic environment in which the company operates. Management determined the RUB as the functional currency for the Bank, group companies domiciled in the Russian Federation and group companies domiciled outside of the Russian Federation, because it reflects the economic substance of the underlying events and circumstances. The RUB is also the presentation currency for the purpose of this interim consolidated condensed financial information.

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

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in profit or loss.

	<b>30 June 2011</b>	<b>31 December 2010</b>
RUB / 1 USD	28.0758	30.4769
RUB / 1 EUR	40.3870	40.3331

## Consolidated companies

The interim consolidated condensed financial information includes the following principal subsidiaries of the Bank:

Name	Country of Incorporation	Main Activity	Consolidated as at 30 June 2011, %	Consolidated as at 31 December 2010, %
PSB Finance S.A.	Luxembourg	Financial Activity	100%	100%
OOO “UK Promsvyaz”	Russian Federation	Financial Activity	100%	100%
OOO “Open Leasing Company”	Russian Federation	Leasing	100%	100%
OOO “Promsvyazfactoring”	Russian Federation	Factoring	100%	100%
OOO “Saint-Petersburg International Banking Conference”	Russian Federation	Services	100%	100%
OOO “Kassa 24”	Russian Federation	Services	51%	-

*PSB Finance S.A.* is special purpose entities established to facilitate issues of debt securities (refer to Note 12). The entity is not owned by the Group and the control arises through the predetermination of the entities’ activities.

*OOO “UK Promsvyaz”*. The principal activity of *OOO “UK Promsvyaz”* is asset management. The Group directly controls 100% of this entity.

*OOO “Open Leasing Company”* was established by the Group in July 2007. The Group controls 100% of *OOO “Open Leasing Company”*.

*OOO “Promsvyazfactoring”*. In December 2009 the Group acquired control over *OOO “Promsvyazfactoring”* (*OOO “PSF”*) through an option agreement dated 31 December 2009 with its owner which is a related party of the Group’s shareholders. Under the terms of this agreement the Group has the unconditional right to buy 100% of the share capital in *OOO “PSF”* for cash of RUB 5 500 thousand for a period of 5 years starting from the date of the option agreement.

*OOO “Saint-Petersburg International Banking Conference”* was established by the Group in December 2010. The Group controls 100% of *OOO “Saint-Petersburg International Banking Conference”*.

*OOO “Kassa 24”*. In March 2011 the Group was acquired 51% shares of *OOO “Kassa 24”*.

## Use of estimates and judgments

The preparation of interim consolidated condensed financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments that have the most significant effect on the amounts recognised in this interim consolidated condensed financial information include:

- Loan impairment estimates and accrual on recoverable amount;
- Building revaluation estimates;
- Deferred tax assets.
- Recognition of income on sale of assets held for sale. The Group recognised income at the date of sale of asset (refer to Note 9).

### 3 Significant accounting policies

As permitted by IAS 34 an entity may elect to provide less information at interim dates as compared with its annual consolidated financial statements. This interim consolidated condensed financial information has been prepared in accordance with IAS 34. The accounting policies and methods of computation applied in the preparation of this interim consolidated condensed financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2010 except for income tax. The Group does not disclose information on significant items of the Statement of Financial Position, Income Statement and Statement of Comprehensive Income in this interim consolidated condensed financial information if they have not changed during the six-month period ended 30 June 2011. The annual consolidated financial statements and related auditors' opinion were issued on 15 March 2011. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Income tax expense is recognised in this interim consolidated condensed financial information based on management's best estimates of the effective annual income tax rate expected for the full annual financial year. Costs are accrued and recognised in the interim period only if it would also be appropriate to accrue or recognise such costs at the end of the financial year.

All disclosures required under IFRS 7 "Financial Instruments: Disclosures" related to cash and cash equivalents, trading securities, other securities at fair value through profit or loss, due from other banks, loans and advances to customers and financial risk management, fair value of financial instruments will be presented in the Group's 2011 consolidated financial statements.

#### New accounting pronouncements

***Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1*** (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRSs. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities at fair value on initial recognition where the fair value is established through valuation techniques in the absence of an active market and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter does not need to determine the fair value of financial assets and liabilities for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The amendments did not have a material impact on this interim consolidated condensed financial information.

***Amendment to IAS 24, Related Party Disclosures*** (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The amendments did not have a material impact on this interim consolidated condensed financial information.

***Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14*** (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendments did not have a material impact on this interim consolidated condensed financial information.

***Improvements to International Financial Reporting Standards*** (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The amendments did not have a material impact on this interim consolidated condensed financial information.

**Disclosures – Transfers of Financial Assets – Amendments to IFRS 7** (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendments did not have a material impact on this interim consolidated condensed financial information.

**Classification of Rights Issues – Amendment to IAS 32** (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment did not have impact on this interim consolidated condensed financial information.

**Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1** (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment did not have impact on this interim consolidated condensed financial information.

## **New standards and interpretations not yet adopted**

Certain new standards and interpretations have been issued that are mandatory for the periods beginning on or after 1 July 2011 or later and which the Group has not early adopted.

**IFRS 9, Financial Instruments Part 1: Classification and Measurement.** IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

**IFRS 10, Consolidated financial statements**, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

**IFRS 11, Joint arrangements**, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of “types” of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

**IFRS 12, Disclosure of interest in other entities**, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

**IFRS 13, Fair value measurement**, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

***Recovery of Underlying Assets – Amendments to IAS 12*** (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information..

***Amendment to IAS 1, Presentation of financial statements*** (issued in June 2011 and effective for annual periods beginning on or after 1 July 2012). The amendment requires the entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendment also changes the title for the statement of comprehensive income to ‘statement of profit or loss and other comprehensive income’. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

***Amendment to IAS 19, Employee benefits*** (issued in June 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits. The amendment also changes disclosures for all employee benefits. The Group does not expect the amendments to have any material effect on its interim consolidated condensed financial information.

***Disclosures – Transfers of Financial Assets – Amendments to IFRS 7*** (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on its interim consolidated condensed financial information.

***IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

## 4 Reclassifications

Certain reclassifications have been made to the interim consolidated condensed income statement for the six-month period ended 30 June 2010 to conform to the presentation for the six-month period ended 30 June 2011 to better present the nature of the underlying transactions.

Nature of reclassification	Amount	Statement of financial position as per the previous report	Statement of financial position as per current report
Reclassification of net gain on purchase of non-controlling interest of subsidiaries into other income and expense	147 240	Net gain on purchase of non-controlling interest of subsidiaries	Other income and expense
Reclassification of contributions under obligatory deposit insurance from general expense into other income and expense	170 522	General expenses	Other income and expense

General and administrative expenses disclosed gross of value added tax which previously presented as a separate line item of the note (refer to Note 18).

## 5 Cash and cash equivalents

	30 June 2011 (unaudited)	31 December 2010
Cash	12 142 012	12 653 525
Due from the Central Bank of the RF – nostro accounts	20 584 598	12 009 806
Placements with banks and other financial institutions with an original maturity less than one month	18 608 994	19 618 844
Deposits with the Central Bank of the RF	-	900 074
<b>Total cash and cash equivalents</b>	<b>51 335 604</b>	<b>45 182 249</b>

Maturity and currency analysis of cash and cash equivalents are disclosed in Note 20.

## 6 Financial assets at fair value through profit or loss

The following tables present an analysis by rating agency designation of securities. If major rating agencies have different ratings for the same issuer, the securities of the issuer are reported using the lower rating:

	30 June 2011 (unaudited)	31 December 2010
<i>Unpledged</i>		
<b>Financial assets held for trading</b>		
<i>Debt and other fixed-income instruments</i>		
Russian Government Federal bonds (OFZ)	12 338 566	10 812 845
Corporate bonds	9 340 828	11 713 839
Corporate Eurobonds	6 343 846	6 883 137
Promissory notes	3 529 719	4 585 799
Central Bank of the Russian Federation bonds (OBR)	2 950 648	4 717 356
Russian municipal and regional bonds and Eurobonds	2 276 485	3 620 294
Foreign Governments bonds and Eurobonds	114 429	-
<i>Equity investments</i>		
Corporate shares	7	9
<b>Spot and derivative financial instruments</b>		
Foreign currency and precious metals contracts	469 827	122 258
<b>Designated at fair value through profit or loss</b>		
Corporate shares - listed	333 240	262 887
<b>Total unpledged financial assets at fair value through profit or loss</b>	<b>37 697 595</b>	<b>42 718 424</b>
<i>Pledged under sale and repurchase agreements</i>		
<b>Financial assets held for trading</b>		
Promissory notes	1 540 204	-
Russian municipal and regional bonds	151 274	376 541
Corporate Eurobonds	-	1 410 237
Corporate bonds - listed	-	1 499 370
<b>Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements</b>	<b>1 691 478</b>	<b>3 286 148</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>39 389 073</b>	<b>46 004 572</b>

Corporate Eurobonds are interest-bearing securities denominated in U.S. Dollars and Euros and issued primarily by large Russian and foreign companies and banks.

Promissory notes represent debt securities denominated in Russian Roubles issued by Russian banks and companies.

Corporate bonds are securities issued by medium and large Russian companies and banks denominated in Russian Roubles.

Russian Government Federal bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Russian municipal and regional bonds are interest-bearing securities issued by Russian municipal and regional authorities denominated in Russian Roubles and U.S. Dollars.

Central Bank of the Russian Federation bonds (OBR) are Russian Rouble denominated securities issued by the Central Bank of the Russian Federation.

## 7 Loans to customers

	<b>30 June 2011</b> <b>(unaudited)</b>	<b>31 December</b> <b>2010</b>
<b>Loans to corporate clients</b>		
Loans to corporate clients not involved in international business	236 027 809	223 967 823
Loans to corporate clients involved in international business	31 321 101	36 309 270
Factoring loans	23 946 080	29 102 961
<b>Total corporate loans</b>	<b>291 294 990</b>	<b>289 380 054</b>
<b>Loans to small and medium enterprises</b>	<b>35 902 350</b>	<b>26 704 789</b>
<b>Loans to individuals</b>		
Consumer loans	20 574 923	18 658 332
Auto loans	6 891 656	8 318 508
Credit cards	1 805 719	2 254 720
Mortgage loans	2 462 191	1 963 008
Loans to VIP clients	1 354 116	1 205 372
Express-loans	126 616	135 393
<b>Total loans to individuals</b>	<b>33 215 221</b>	<b>32 535 333</b>
<b>Gross loans to customers</b>	<b>360 412 561</b>	<b>348 620 176</b>
Impairment allowance	(36 614 226)	(37 672 533)
<b>Net loans to customers</b>	<b>323 798 335</b>	<b>310 947 643</b>

The Group acquired loans to small and medium enterprises totaling RUB 4 618 139 thousand in the two acquisitions, which took place during the six-month period ended 30 June 2011. Purchase price of acquired loans is RUB 4 723 775 thousand.

In 2010 the Group stopped accruing of the interest income on loans overdue for more than 365 days due to the low probability of those loans recoverability. The Group continues accruing interest income on loans overdue for more than 180 days but less than 365 days as the Group believes that the recoverability of such loans is probable.

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

	<b>Six-month period ended 30 June 2011 (unaudited)</b>	<b>Six-month period ended 30 June 2010 (unaudited)</b>
Balance at the beginning of the year	37 672 533	38 845 803
Net charge for the year	3 932 534	5 211 407
Sale of loans	(3 238 047)	(2 014 802)
Write-offs	(1 752 794)	(16 020)
<b>Balance at the end of the year</b>	<b>36 614 226</b>	<b>42 026 388</b>

As at 30 June 2011 interest accrued on impaired loans net of impairment allowance amounts to RUB 8 261 050 thousand (31 December 2010: RUB 6 163 975 thousand).

Non-performing loans comprise loans with principal or/and interest overdue by more than 90 days (except for loans to individuals and SME for which partial repayment of overdue principal or/and interest took place during last quarter of the reporting period) and loans restructured as a result of the borrowers' inability to repay. The analysis of non-performing loans as at 30 June 2011 and 31 December 2010 by loan groups is presented below:

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
Loans to corporate clients	17 319 943	20 303 056
Loans to small and medium enterprises	3 896 152	3 704 520
Loans to individuals	7 917 179	8 076 613
<b>Total non-performing loans</b>	<b>29 133 274</b>	<b>32 084 189</b>

## Credit quality of loans to corporate loans and loans to small and medium enterprises

The following table provides information on the credit quality of loans to corporate loans and loans to small and medium enterprises as at 30 June 2011:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
<b>Loans to corporate clients</b>				
<b>Loans to corporate clients not involved in international business</b>				
Total loans for which no impairment has been identified	173 489 379	(1 259 092)	172 230 287	0,73%
Impaired loans:				
- Impaired, but not overdue	47 121 585	(7 744 109)	39 377 476	16,43%
- Overdue less than 30 days	1 557 021	(271 609)	1 285 411	17,44%
- Overdue 30-89 days	1 029 046	(438 357)	590 689	42,60%
- Overdue 90-179 days	464 830	(144 392)	320 438	31,06%
- Overdue 180-360 days	2 663 530	(1 598 067)	1 065 463	60,00%
- Overdue more than 360 days	9 702 420	(5 751 568)	3 950 852	59,28%
Total impaired loans	62 538 430	(15 948 102)	46 590 328	25,50%
<b>Total loans to corporate clients not involved in international business</b>	<b>236 027 810</b>	<b>(17 207 194)</b>	<b>218 820 615</b>	<b>7,29%</b>
<b>Loans to corporate clients involved in international business</b>				
Total loans for which no impairment has been identified	23 904 382	(196 945)	23 707 437	0,82%
Impaired loans:				
- Impaired, but not overdue	4 909 687	(347 852)	4 561 835	7,09%
- Overdue less than 30 days	214 702	(66 128)	148 574	30,80%
- Overdue less than 30-89 days	173 445	(15 957)	157 488	9,20%
- Overdue 90-179 days	461 650	(353 162)	108 488	76,50%
- Overdue 180-360 days	586 721	(138 611)	448 110	23,62%
- Overdue more than 360 days	1 070 514	(317 542)	752 972	29,66%
Total impaired loans	7 416 719	(1 239 252)	6 177 467	16,71%
<b>Total loans to corporate clients involved in international business</b>	<b>31 321 101</b>	<b>(1 436 197)</b>	<b>29 884 904</b>	<b>4,59%</b>
<b>Factoring loans</b>				
Total loans for which no impairment has been identified	17 079 844	(65 680)	17 014 164	0,38%
Impaired loans:				
- Impaired, but not overdue	1 161 700	(383 876)	777 824	33,04%
- Overdue less than 30 days	3 266 627	(1 172 084)	2 094 543	35,88%
- Overdue 30-89 days	67 630	(33 627)	34 002	49,72%
- Overdue 90-179 days	1 889	(849)	1 040	44,94%
- Overdue 180-360 days	97 738	(26 127)	71 611	26,73%
- Overdue more than 360 days	2 270 652	(1 645 857)	624 795	72,48%
Total impaired loans	6 866 235	(3 262 420)	3 603 815	47,51%
<b>Total factoring loans</b>	<b>23 946 080</b>	<b>(3 328 100)</b>	<b>20 617 979</b>	<b>13,90%</b>
<b>Total loans to corporate clients</b>	<b>291 294 990</b>	<b>(21 971 491)</b>	<b>269 323 498</b>	<b>7,54%</b>
<b>Loans to small and medium enterprises</b>				
Total loans for which no impairment has been identified	30 324 938	(48 474)	30 276 464	0,16%
Impaired loans:				
- Overdue less than 30 days	456 625	(61 396)	395 229	13,45%
- Overdue 30-89 days	158 221	(97 100)	61 121	61,37%
- Overdue 90-179 days	194 474	(152 922)	41 552	78,63%
- Overdue 180-360 days	548 635	(431 582)	117 053	78,66%
- Overdue more than 360 days	4 219 457	(3 231 090)	988 367	76,58%
Total impaired loans	5 577 412	(3 974 090)	1 603 322	71,25%
<b>Total loans to small and medium enterprises</b>	<b>35 902 350</b>	<b>(4 022 564)</b>	<b>31 879 786</b>	<b>11,20%</b>
<b>Total corporate loans and loans to small and medium enterprises</b>	<b>327 197 340</b>	<b>(25 994 055)</b>	<b>301 203 285</b>	<b>7,94%</b>

The following table provides information on the credit quality of loans to corporate loans and loans to small and medium enterprises as at 31 December 2010:

	<u>Gross loans</u>	<u>Impairment allowance</u>	<u>Net loans</u>	<u>Impairment allowance to gross loans</u>
<b>Loans to corporate clients</b>				
<b>Loans to corporate clients not involved in international business</b>				
Total loans for which no impairment has been identified	163 930 593	(1 110 656)	162 819 937	0.68%
Impaired loans:				
- Impaired, but not overdue	44 757 163	(6 978 401)	37 778 762	15.59%
- Overdue less than 30 days	1 497 096	(1 004 957)	492 139	67.13%
- Overdue 30-89 days	384 186	(58 509)	325 677	15.23%
- Overdue 90-179 days	2 478 067	(1 024 840)	1 453 227	41.36%
- Overdue 180-360 days	1 771 066	(1 070 334)	700 732	60.43%
- Overdue more than 360 days	9 149 652	(6 214 544)	2 935 108	67.92%
Total impaired loans	<u>60 037 230</u>	<u>(16 351 585)</u>	<u>43 685 645</u>	<u>27.24%</u>
<b>Total loans to corporate clients not involved in international business</b>	<u>223 967 823</u>	<u>(17 462 241)</u>	<u>206 505 582</u>	<u>7.80%</u>
<b>Loans to corporate clients involved in international business</b>				
Total loans for which no impairment has been identified	30 067 743	(206 141)	29 861 602	0.69%
Impaired loans:				
- Impaired, but not overdue	4 417 572	(635 427)	3 782 145	14.38%
- Overdue less than 30 days	47 987	(7 414)	40 573	15.45%
- Overdue less than 30-89 days	20 172	(3 026)	17 146	15.00%
- Overdue 90-179 days	587 516	(108 499)	479 017	18.47%
- Overdue 180-360 days	4 468	(652)	3 816	14.59%
- Overdue more than 360 days	1 163 812	(397 292)	766 520	34.14%
Total impaired loans	<u>6 241 527</u>	<u>(1 152 310)</u>	<u>5 089 217</u>	<u>18.46%</u>
<b>Total loans to corporate clients involved in international business</b>	<u>36 309 270</u>	<u>(1 358 451)</u>	<u>34 950 819</u>	<u>3.74%</u>
<b>Factoring loans</b>				
Total loans for which no impairment has been identified	22 730 688	(133 187)	22 597 501	0.59%
Impaired loans:				
- Impaired, but not overdue	1 011 001	(311 277)	699 724	30.79%
- Overdue less than 30 days	115 305	(36 705)	78 600	31.83%
- Overdue 30-89 days	97 492	(37 971)	59 521	38.95%
- Overdue 90-179 days	241 496	(73 101)	168 395	30.27%
- Overdue 180-360 days	1 458 651	(478 082)	980 569	32.78%
- Overdue more than 360 days	3 448 328	(2 974 136)	474 192	86.25%
Total impaired loans	<u>6 372 273</u>	<u>(3 911 272)</u>	<u>2 461 001</u>	<u>61.38%</u>
<b>Total factoring loans</b>	<u>29 102 961</u>	<u>(4 044 459)</u>	<u>25 058 502</u>	<u>13.90%</u>
<b>Total loans to corporate clients</b>	<b>289 380 054</b>	<b>(22 865 151)</b>	<b>266 514 903</b>	<b>7.90%</b>
<b>Loans to small and medium enterprises</b>				
Total loans for which no impairment has been identified	21 150 040	(47 871)	21 102 169	0.23%
Impaired loans:				
- Overdue less than 30 days	306 130	(50 962)	255 168	16.65%
- Overdue 30-89 days	183 099	(123 496)	59 603	67.45%
- Overdue 90-179 days	308 988	(253 500)	55 488	82.04%
- Overdue 180-360 days	698 725	(568 049)	130 676	81.30%
- Overdue more than 360 days	4 057 807	(3 231 152)	826 655	79.63%
Total impaired loans	<u>5 554 749</u>	<u>(4 227 159)</u>	<u>1 327 590</u>	<u>76.10%</u>
<b>Total loans to small and medium enterprises</b>	<u>26 704 789</u>	<u>(4 275 030)</u>	<u>22 429 759</u>	<u>16.01%</u>
<b>Total corporate loans and loans to small and medium enterprises</b>	<u>316 084 843</u>	<u>(27 140 181)</u>	<u>288 944 662</u>	<u>8.59%</u>

As at 30 June 2011 and 31 December 2010 there are no loans to customers which are past due but not impaired.

### ***Analysis of collateral***

There is a special Collateral Department which is responsible for managing all types of collateral accepted by the Group for the commercial loan portfolio. The policies and procedures for valuing and managing collateral comprise two stages.

The first stage is related to the decision-making process about the granting of a loan or acquisition of a financial asset, which are subject to credit risk. At this stage, the Collateral Department performs an examination of proposed collateral, which includes preparation of a package of documents related to collateral, physical inspection of collateral, verification of any encumbrances, assessment of fair value of collateral and forecasting of possible changes in the fair value of collateral.

The second stage is related to monitoring and managing of collateral that has already been accepted by the Group. This stage includes regular monitoring of the collateral and reassessment of its fair value.

Principal types of collateral accepted for commercial loans are pledges over real estate, securities, property rights, motor vehicles, equipment and guarantees.

## Credit quality of loans to individuals

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

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
<b>Consumer loans</b>				
- Not past due	12 926 265	(13 291)	12 912 974	0,10%
- Overdue less than 30 days	472 844	(17 050)	455 794	3,61%
- Overdue 30-89 days	253 407	(35 087)	218 320	13,85%
- Overdue 90-179 days	331 479	(86 274)	245 205	26,03%
- Overdue 180-360 days	867 281	(495 417)	371 864	57,12%
- Overdue more than 360 days	5 723 647	(5 559 610)	164 037	97,13%
<b>Total consumer loans</b>	<b>20 574 923</b>	<b>(6 206 729)</b>	<b>14 368 194</b>	<b>30,17%</b>
<b>Auto loans</b>				
- Not past due	2 316 916	(2 192)	2 314 724	0,09%
- Overdue less than 30 days	179 288	(4 235)	175 053	2,36%
- Overdue 30-89 days	153 279	(13 312)	139 967	8,68%
- Overdue 90-179 days	162 484	(30 828)	131 656	18,97%
- Overdue 180-360 days	461 144	(241 074)	220 070	52,28%
- Overdue more than 360 days	3 618 545	(3 545 845)	72 700	97,99%
<b>Total auto loans</b>	<b>6 891 656</b>	<b>(3 837 486)</b>	<b>3 054 170</b>	<b>55,68%</b>
<b>Credit cards</b>				
- Not past due	1 267 324	(4 533)	1 262 791	0,36%
- Overdue less than 30 days	79 184	(4 806)	74 378	6,07%
- Overdue 30-89 days	26 919	(6 625)	20 294	24,61%
- Overdue 90-179 days	27 692	(13 302)	14 390	48,04%
- Overdue 180-360 days	71 310	(49 155)	22 155	68,93%
- Overdue more than 360 days	333 290	(323 331)	9 959	97,01%
<b>Total credit cards</b>	<b>1 805 719</b>	<b>(401 752)</b>	<b>1 403 967</b>	<b>22,25%</b>
<b>Mortgage loans</b>				
- Not past due	2 020 927	-	2 020 927	0,00%
- Overdue less than 30 days	85 305	-	85 305	0,00%
- Overdue 30-89 days	14 308	-	14 308	0,00%
- Overdue 90-179 days	8 265	-	8 265	0,00%
- Overdue 180-360 days	24 327	(245)	24 082	1,01%
- Overdue more than 360 days	309 059	(49 474)	259 585	16,01%
<b>Total mortgage loans</b>	<b>2 462 191</b>	<b>(49 719)</b>	<b>2 412 472</b>	<b>2,02%</b>
<b>Loans to VIP clients</b>				
- Not past due	1 347 181	(44)	1 347 137	0,00%
- Overdue less than 30 days	1 274	(82)	1 192	6,44%
- Overdue 180-360 days	2 529	(1 710)	819	67,62%
- Overdue more than 360 days	3 132	(3 088)	44	98,60%
<b>Total loans to VIP clients</b>	<b>1 354 116</b>	<b>(4 924)</b>	<b>1 349 192</b>	<b>0,36%</b>
<b>Express-loans</b>				
- Not past due	1 360	(2)	1 358	0,15%
- Overdue less than 30 days	209	(7)	202	3,35%
- Overdue 30-89 days	647	(58)	589	8,96%
- Overdue 90-179 days	2 347	(456)	1 891	19,43%
- Overdue 180-360 days	2 803	(1 228)	1 575	43,81%
- Overdue more than 360 days	119 250	(117 810)	1 440	98,79%
<b>Total express-loans</b>	<b>126 616</b>	<b>(119 561)</b>	<b>7 055</b>	<b>94,43%</b>
<b>Total loans to individuals</b>	<b>33 215 221</b>	<b>(10 620 171)</b>	<b>22 595 050</b>	<b>31,97%</b>

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

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
<b>Consumer loans</b>				
- Not past due	10 728 543	(13 072)	10 715 471	0.12%
- Overdue less than 30 days	391 568	(13 048)	378 520	3.33%
- Overdue 30-89 days	365 838	(40 397)	325 441	11.04%
- Overdue 90-179 days	577 818	(113 542)	464 276	19.65%
- Overdue 180-360 days	980 764	(479 502)	501 262	48.89%
- Overdue more than 360 days	5 613 801	(5 508 817)	104 984	98.13%
<b>Total consumer loans</b>	<b>18 658 332</b>	<b>(6 168 378)</b>	<b>12 489 954</b>	<b>33.06%</b>
<b>Auto loans</b>				
- Not past due	3 682 752	(3 046)	3 679 706	0.08%
- Overdue less than 30 days	229 513	(4 571)	224 942	1.99%
- Overdue 30-89 days	203 320	(13 370)	189 950	6.58%
- Overdue 90-179 days	343 464	(48 249)	295 215	14.05%
- Overdue 180-360 days	387 658	(160 212)	227 446	41.33%
- Overdue more than 360 days	3 471 801	(3 419 940)	51 861	98.51%
<b>Total auto loans</b>	<b>8 318 508</b>	<b>(3 649 388)</b>	<b>4 669 120</b>	<b>43.87%</b>
<b>Credit cards</b>				
- Not past due	1 529 517	(5 965)	1 523 552	0.39%
- Overdue less than 30 days	65 065	(3 771)	61 294	5.80%
- Overdue 30-89 days	42 656	(9 744)	32 912	22.84%
- Overdue 90-179 days	46 485	(15 269)	31 216	32.85%
- Overdue 180-360 days	140 506	(89 208)	51 298	63.49%
- Overdue more than 360 days	430 491	(415 537)	14 954	96.53%
<b>Total credit cards</b>	<b>2 254 720</b>	<b>(539 494)</b>	<b>1 715 226</b>	<b>23.93%</b>
<b>Mortgage loans</b>				
- Not past due	1 495 068	(141)	1 494 927	0.01%
- Overdue less than 30 days	46 549	(156)	46 393	0.34%
- Overdue 30-89 days	41 751	(1 196)	40 555	2.86%
- Overdue 90-179 days	19 925	(1 249)	18 676	6.27%
- Overdue 180-360 days	44 057	(3 165)	40 892	7.18%
- Overdue more than 360 days	315 658	(43 024)	272 634	13.63%
<b>Total mortgage loans</b>	<b>1 963 008</b>	<b>(48 931)</b>	<b>1 914 077</b>	<b>2.49%</b>
<b>Express-loans</b>				
- Not past due	8 031	(11)	8 020	0.14%
- Overdue less than 30 days	1 160	(25)	1 135	2.16%
- Overdue 30-89 days	1 310	(67)	1 243	5.11%
- Overdue 90-179 days	1 386	(277)	1 109	19.99%
- Overdue 180-360 days	4 591	(3 219)	1 372	70.12%
- Overdue more than 360 days	118 915	(117 304)	1 611	98.65%
<b>Total express-loans</b>	<b>135 393</b>	<b>(120 903)</b>	<b>14 490</b>	<b>89.30%</b>
<b>Loans to VIP clients</b>				
- Not past due	1 199 555	(1 476)	1 198 079	0.12%
- Overdue less than 30 days	938	(39)	899	4.16%
- Overdue 30-89 days	31	(9)	22	29.03%
- Overdue 90-179 days	1 808	(836)	972	46.24%
- Overdue 180 - 360 days	2 881	(2 740)	141	95.11%
- Overdue more than 360 days	159	(158)	1	99.37%
<b>Total loans to VIP clients</b>	<b>1 205 372</b>	<b>(5 258)</b>	<b>1 200 114</b>	<b>0.44%</b>
<b>Total loans to individuals</b>	<b>32 535 333</b>	<b>(10 532 352)</b>	<b>22 002 981</b>	<b>32.37%</b>

***Analysis of collateral***

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying car. Credit cards and express loans are not secured.

Management believes that at inception total fair value of collateral received from individuals is higher than amount of loans to individuals portfolios.

**Significant credit exposures**

As at 30 June 2011 and 31 December 2010 the Group had 11 and 9 borrowers or groups of related borrowers, respectively, whose loan balances exceed 10% of equity. The gross value of exposures as of 30 June 2011 and 31 December 2010 are RUB 65 196 601 thousand and RUB 55 050 227 thousand, respectively, or 18.1% and 15.8% of gross loans to customers.

**Loan maturities**

The maturity of the loan portfolio is presented in Note 20, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans, it is likely that many of the loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

Maturity and currency analysis of loans to customers are disclosed in Note 20. The information on related party balances is disclosed in Note 23.

**8 Investments available for sale**

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
	<hr/>	<hr/>
<i>Closed unit investment funds</i>		
Land, St.-Petersburg (ownership – 49%)	1 377 851	1 337 700
Land and building, Yaroslavl (ownership – 49%)	594 876	611 232
Buildings, Moscow (ownership – 49%)	402 830	-
Land and buildings, Vologda, Saratov, Tolyatti (ownership – 49%)	225 967	-
	<hr/>	<hr/>
	2 601 524	1 948 932
 <i>Equity investments</i>		
Corporate shares	193 138	254 281
	<hr/>	<hr/>
<b>Total investments available for sale</b>	<b>2 794 662</b>	<b>2 203 213</b>
	<hr/>	<hr/>

As at 30 June 2011 and 31 December 2010 closed unit investment fund mainly invests in buildings and other property.

Maturity and currency analyses of investments available for sale are disclosed in Note 20.

## 9 Assets held for sale

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
Office buildings, Moscow	2 322 717	2 322 717
Land, St.-Petersburg	1 022 047	1 022 047
Land, St.-Petersburg region	-	1 500 000
Office building, Moscow	-	1 100 001
<b>Total assets held for sale</b>	<b>3 344 764</b>	<b>5 944 765</b>

The Group defines control over investments in the closed unit investment funds based on the direct ownership. The Group believes that it does not exercise control over the closed unit investment fund based on the following factors: direct ownership in the closed unit investment fund comprises 49% and the Group believes that not less than 51% of the direct ownership provides control to the Group.

The Group has signed agreements with third parties to sell items of property acquired. The following table shows these item's sale prices according to sale agreement together with their carrying value as of 30 June 2011:

	<b>Carrying value</b>	<b>Sale Price</b>
Office building, Moscow	2 322 717	2 553 312
Land, St.-Petersburg	1 022 047	1 125 987

A gain of RUR 199 742 thousand was recognized in other income and expense due to selling of assets held for sale to third party during six-month period ended 30 June 2011.

Assets held for sale are measured at the lower of cost or fair value less costs to sell.

Assets held for sale are included in the International business, investments and financial markets operating segment.

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

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
Trade finance	15 999 107	16 767 032
Term deposits from local banks	12 158 980	17 570 624
Vostro accounts	10 761 481	7 663 852
Long-term finance	9 227 991	11 085 493
Term deposits from foreign banks	6 539 841	6 590 876
<b>Total deposits and balances from banks and other financial institutions</b>	<b>54 687 400</b>	<b>59 677 877</b>

Trade finance and long-term finance represent funds to be used in documentary credit transactions. Trade finance is used for financing working capital of clients through documentary letters of credit. Long-term finance is used to finance targeted assets of clients through documentary letters of credit.

Maturity and currency analyses of deposits and balances from banks and other financial institutions are disclosed in Note 20.

## 11 Current accounts and deposits from customers

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
<b>Current accounts and demand deposits</b>		
- Corporate	70 518 480	68 413 408
- Retail	17 429 815	20 854 482
<b>Term deposits</b>		
- Corporate	118 648 023	120 964 334
- Retail	84 367 738	86 814 621
<b>Total current accounts and deposits from customers</b>	<b>290 964 056</b>	<b>297 046 845</b>

Maturity and currency analysis of current accounts and deposits from customers are disclosed in Note 20. Information on related party balances is disclosed in Note 23.

### Blocked accounts

As at 30 June 2011 the Group maintained corporate customer deposit balances of RUB 2 523 987 thousand (31 December 2010: RUB 3 362 102 thousand) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

### Concentrations of current accounts and deposits from customers

As at 30 June 2011 the ten largest aggregate balances of current account and deposits from customers amounted to RUB 91 079 485 thousand or 31.3% of total current accounts and deposits from customers (31 December 2010: RUB 83 347 660 thousand or 28.06% of total current accounts and deposits from customers).

## 12 Own securities issued

	<b>30 June 2011 (unaudited)</b>	<b>31 December 2010</b>
Senior loan participation notes	22 725 731	8 650 527
Promissory notes	18 536 293	20 632 071
Domestic bonds	14 290 185	2 781 695
Certificates of deposit	82 864	63 204
<b>Total own securities issued</b>	<b>55 635 073</b>	<b>32 127 497</b>

The Group issued promissory notes at a discount to nominal value and interest bearing promissory notes denominated in Russian Roubles, US dollars and Euros with effective interest rates from 0.3% p.a. to 17.8% p.a. and maturity dates from July 2011 to July 2015. The Group also issued settlement promissory notes with effective interest rates equal 0% p.a. and maturity dates from July 2011 to September 2015.

Senior loan participation notes comprise notes issued through PSB Finance S.A. (refer to Note 2).

The table below provides a summary of all senior loan participation notes issued by the Group:

Special purpose entity used for issue	Issue date	Maturity date	Coupon rate	Effective rate	Commentary	30 June 2011 (unaudited)	31 December 2010
PSB Finance S.A.	April 2011	April 2014	6.20%	6.30%	Non-subordinated	13 946 996	-
PSB Finance S.A.	October 2006 March 2007	October 2011	8.75%	8.93%	Non-subordinated	5 411 643	5 414 106
PSB Finance S.A.	July 2008	July 2013	10.75%	11.03%	Non-subordinated	3 367 092	3 236 421
<b>Total senior loan participation notes</b>						<b>22 725 731</b>	<b>8 650 527</b>

During the six-month period ended 30 June 2011 the Group sold senior loan participation notes amounting to USD 86 660 thousand (RUB 2 433 049 thousand) (six-month period ended 30 June 2010: USD 39 650 thousand (RUB 1 236 898 thousand)).

The table below provides a summary of domestic bonds issued:

Issue date	Maturity date	Current coupon rate	Effective rate	30 June 2011 (unaudited)	31 December 2010
February 2011	February 2014	8.60%	8.81%	5 166 124	-
May 2007	May 2012	7.75%	7.83%	4 524 685	1 499 624
June 2008	June 2013	8.25%	8.40%	4 599 376	1 282 071
<b>Total domestic bonds</b>				<b>14 290 185</b>	<b>2 781 695</b>

In May 2010 the Group redeemed at nominal value RUB 4 087 086 thousand of the RUB 4.5 billion issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 1 073 301 thousand of such bonds.

In December 2010 the Group redeemed at nominal value RUB 3 853 202 thousand of the RUB 5 billion issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 3 483 577 thousand of such bonds.

Maturity and currency analysis of own securities issued are disclosed in Note 20. The information on related party balances is disclosed in Note 23.

### 13 Other borrowed funds

	30 June 2011 (unaudited)	31 December 2010
Other borrowed funds	6 192 821	5 251 682
Syndicated loans	2 783 339	7 550 513
<b>Total other borrowed funds</b>	<b>8 976 160</b>	<b>12 802 195</b>

In June 2011 the Group borrowed RUB 1 665 000 thousand from the Russian Bank for Development.

In June 2011 the Group repaid a syndicated loan amounting to USD 150 000 thousand (RUB 4 197 075) from the European Bank for Reconstruction and Development.

In June 2011 the Group repaid a loan amounting to USD 25 000 thousand (RUB 705 880) from PNC Bank.

In February 2011 the Group borrowed RUB 400 000 thousand from the Russian Bank for Development.

In June 2010 the Group borrowed USD 250 000 thousand (RUB 7 798 850) as a syndicated loan from the European Bank for Reconstruction and Development.

In April 2010 the Group repaid the first tranche of a syndicated loan from the European Bank for Reconstruction and Development amounting to USD 232 000 thousand (RUB 7 237 333 thousand). In June the Group repaid in advance the remaining part of the syndicated loan.

In November and December 2010 the Group borrowed RUB 1 900 000 thousand from the Russian Bank for Development.

Maturity and currency analyses of other borrowed funds are disclosed in Note 20.

## 14 Net interest income

	<b>Six-month period ended 30 June 2011 (unaudited)</b>	<b>Six-month period ended 30 June 2010 (unaudited)</b>
<b>Interest income</b>		
Loans to customers	17 432 687	21 248 004
Financial assets at fair value through profit or loss	1 598 303	1 765 462
Placements with banks and other financial institutions and cash and cash equivalents	493 246	752 661
Reverse repurchase agreements	384 637	380 947
Investments held to maturity	128 573	174 779
<b>Total interest income</b>	<b>20 037 446</b>	<b>24 321 853</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	6 496 065	9 566 995
Own securities issued	1 651 359	2 037 938
Subordinated borrowings	1 143 651	876 692
Deposits and balances from banks and other financial institutions	965 180	1 349 475
Other borrowed funds	344 844	353 256
Repurchase agreements	65 751	32 522
<b>Total interest expense</b>	<b>10 666 850</b>	<b>14 216 878</b>
<b>Net interest income</b>	<b>9 370 596</b>	<b>10 104 975</b>

**15 Fee and commission income**

	<b>Six-month period ended 30 June 2011 (unaudited)</b>	<b>Six-month period ended 30 June 2010 (unaudited)</b>
Commission on documentary operations	1 395 945	1 021 154
Money transfer fees	951 484	642 135
Commission for servicing plastic cards	922 677	676 990
Commission for operations with cash	371 924	357 618
Commission on foreign currency operations	241 859	325 394
Commission on undrawn loan commitments	120 717	109 472
Securities trading fees	72 673	53 875
Investment banking fees	51 364	51 695
Commission on banknote operations	41 753	58 485
Cash collection fees	35 600	38 073
Agent fees	7 552	6 129
Other	10 954	42 928
<b>Total fee and commission income</b>	<b>4 224 502</b>	<b>3 383 948</b>

**16 Fee and commission expense**

	<b>Six-month period ended 30 June 2011 (unaudited)</b>	<b>Six-month period ended 30 June 2010 (unaudited)</b>
Commission for servicing plastic cards	292 218	185 761
Money transfer fees	140 803	100 976
Commission on documentary operations	85 502	140 252
Cash collection fees	75 165	38 946
Agent fees	68 985	74 264
Commission on foreign currency operations	58 044	83 538
Commission on banknote operations	20 113	23 933
Securities trading fees	15 789	13 140
Other	3 351	2 413
<b>Total fee and commission expense</b>	<b>759 970</b>	<b>663 223</b>

**17 Net gain/(loss) on financial instruments at fair value through profit or loss**

	Six-month period ended 30 June 2011 (unaudited)	Six-month period ended 30 June 2010 (unaudited)
Net gain/(loss) on early redemption of senior loan participation notes	83 670	(239 702)
Net gain/(loss) on debt securities - trading securities	367 430	(493 730)
Net loss on equity securities – trading securities	(176)	(23)
Net gain on equity instruments – securities designated upon initial recognition as at fair value through profit or loss	70 353	33 360
Net loss on interest rate swaps	(6 607)	(261)
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>	<b>514 670</b>	<b>(700 356)</b>

**18 General and administrative expenses**

	Six-month period ended 30 June 2011 (unaudited)	Six-month period ended 30 June 2010 (unaudited)
Employee compensation	5 046 522	4 175 893
Depreciation	555 123	549 288
Occupancy	361 279	384 920
Taxes other than income tax	149 953	145 791
Office repairs, maintenance and supply	316 559	251 169
Insurance	238 516	274 981
Communications and information services	476 687	320 244
Security	224 774	214 750
Advertising and marketing	326 347	195 535
Transportation	96 332	90 316
Charity and sponsorship	79 941	67 062
Other	214 502	299 041
<b>Total general and administrative expenses</b>	<b>8 086 535</b>	<b>6 968 990</b>

Charity and sponsorship expenses include grants to the Russian Society of Invalids, hospices, hospitals, culture institutions and to the Russian Orthodox Church.

## 19 Analysis by segment

The Group is organized into four main reportable operating segments. The segments are identified on the basis of organizational structure and types of clients. Each operating segment involves areas of business that are under control and responsibility of one of the Management Board members. Internal management reports are reviewed by the Management Board on a periodical basis and by the Board of Directors on a quarterly basis.

The following summary describes the operations in each of the reportable segments:

- Corporate banking – this operating segment includes the following services provided to legal entities (excluding small and medium size enterprises): settlements and money transfer; deposit taking; issuance of promissory notes and certificates of deposit; trade and long-term finance; commercial lending; overdraft lending; factoring; leasing; letters of credit; guarantees; foreign exchange services; cash collection; currency conversion; all transactions with precious metals.
- Retail banking – this operating segment includes the following services provided to retail customers: settlements and money transfer; deposit taking and lending to individuals (excluding VIP clients); foreign exchange services; banking card products; settlement and cash services.
- International business, investments and financial markets – this operating segment includes the following services provided to banks and other financial institutions, state and local authorities, VIP clients (individuals): deposit taking; borrowings from banks and other financial institutions; issuance of domestic bonds, loan participation notes and promissory notes on the market; repo transactions; interbank lending; syndicated and subordinated borrowings; lending to state and local authorities and VIP clients (individuals); trading and brokerage in securities; foreign exchange (except currency conversion for clients); trading in derivatives; export letters of credit; guarantees; banknote operations; depositary services; settlements and money transfer.
- Small and medium size enterprises - this operating segment includes the following services provided to small and medium size enterprises: commercial lending; deposit taking; issuance of promissory notes; money transfer; guarantees; brokerage in securities; foreign exchange services.

The Group does not allocate equity between segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Information on segment income tax expense in the tables below is presented for information purposes.

The intersegment revenue from other segments related to exchange of the resources between segments are calculated on the basis of a transfer pricing system, in accordance with which the prices of the internal placement/funding depend on the currency and term of placement/funding.

The Group does not allocate obligatory reserves with central banks, net book value of property and equipment, and current and deferred tax assets and liabilities between the segments to determine segment assets/liabilities. These captions are included in “Reconciling items” category in the reconciliation of the total segment assets/liabilities to total assets/liabilities of the Group. Other assets and liabilities are included in “Reconciling items” category when they cannot reasonably be distributed among the segments. “Reconciling items” category also includes assets/liabilities and attributable income/expense relating to assets and liabilities internal management operations performed by Group’s Treasury Department.

General and administrative expenses are allocated between the segments on the basis of an activity-based costing model that identifies activities and assigns the cost of each activity’s resources to all products and services according to their actual consumption.

The Group allocates income tax benefit/expense using the financial result of each segment and the overall effective tax rate of each subsidiary.

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

	Corporate banking	Retail banking	International business, investments and financial markets	Small and medium size enterprises	Reconciling items	Total
Cash and cash equivalents	697 254	2 895 237	7 052 684	-	40 690 429	51 335 604
Obligatory reserves with central banks	-	-	-	-	6 083 074	6 083 074
Placements with banks and other financial institutions	-	-	9 761 362	-	9 352	9 770 714
Financial assets at fair value through profit or loss	-	-	31 342 984	-	8 046 089	39 389 073
Amounts receivable under reverse repurchase agreements	-	-	8 110 071	-	7 818 754	15 928 825
Loans to customers	269 284 281	21 245 858	1 388 410	31 879 786	-	323 798 335
Investments available for sale	-	-	2 794 662	-	-	2 794 662
Investments held to maturity	-	-	801 211	-	2 140 711	2 941 922
Assets held for sale	-	-	3 344 764	-	-	3 344 764
Other assets	190 881	159 942	256 730	4 545	2 067 856	2 679 954
Current income tax prepayments	-	-	-	-	523 555	523 555
Deferred tax asset	-	-	-	-	1 019 637	1 019 637
Property and equipment	-	-	-	-	25 090 652	25 090 652
<b>Total assets</b>	<b>270 172 416</b>	<b>24 301 037</b>	<b>64 852 878</b>	<b>31 884 331</b>	<b>93 490 109</b>	<b>484 700 771</b>
Financial liabilities at fair value through profit or loss	-	-	616 927	-	-	616 927
Deposits and balances from banks and other financial institutions	20 083 040	204 333	32 514 664	-	1 885 363	54 687 400
Amounts payable under repurchase agreements	-	-	1 704 173	-	3 171 195	4 875 368
Current accounts and deposits from customers	160 089 106	62 548 890	46 053 378	22 272 682	-	290 964 056
Own securities issued	7 518 410	-	47 806 786	309 877	-	55 635 073
Other borrowed funds	-	-	8 976 160	-	-	8 976 160
Other liabilities	936 248	159 550	188 287	15 050	1 583 591	2 882 726
Current income tax payable	-	-	-	-	19 491	19 491
Deferred tax liability	-	-	-	-	52 571	52 571
Subordinated borrowings	-	-	20 094 411	-	-	20 094 411
<b>Total liabilities</b>	<b>188 626 804</b>	<b>62 912 773</b>	<b>157 954 786</b>	<b>22 597 609</b>	<b>6 712 211</b>	<b>438 804 183</b>

**Promsvyazbank**

**Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2011**

*(expressed in thousands of Russian Roubles – refer to Note 2)*

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

	<b>Corporate banking</b>	<b>Retail banking</b>	<b>International business, investments and financial markets</b>	<b>Small and medium size enterprises</b>	<b>Reconciling items</b>	<b>Total</b>
Cash and cash equivalents	3 536 155	3 822 498	5 786 406	-	32 037 190	45 182 249
Obligatory reserves with central banks	-	-	-	-	3 015 876	3 015 876
Placements with banks and other financial institutions	-	-	12 112 692	-	9 340	12 122 032
Financial assets at fair value through profit or loss	-	-	41 287 207	-	4 717 365	46 004 572
Amounts receivable under reverse repurchase agreements	-	-	9 599 684	-	6 350 162	15 949 846
Loans to customers	264 218 648	20 802 867	3 496 369	22 429 759	-	310 947 643
Investments available for sale	-	-	2 203 213	-	-	2 203 213
Investments held to maturity	-	-	868 394	-	3 098 517	3 966 911
Assets held for sale	-	-	5 944 765	-	-	5 944 765
Other assets	122 547	5 680	575 157	3 404	1 806 990	2 513 778
Current income tax prepayments	-	-	-	-	612 254	612 254
Deferred tax asset	-	-	-	-	1 065 008	1 065 008
Property and equipment	-	-	-	-	25 598 772	25 598 772
<b>Total assets</b>	<b>267 877 350</b>	<b>24 631 045</b>	<b>81 873 887</b>	<b>22 433 163</b>	<b>78 311 474</b>	<b>475 126 919</b>
Financial liabilities at fair value through profit or loss	-	-	1 593 384	-	-	1 593 384
Deposits and balances from banks and other financial institutions	18 676 388	266 863	35 144 292	-	5 590 334	59 677 877
Amounts payable under repurchase agreements	-	-	2 062 365	-	727 651	2 790 016
Current accounts and deposits from customers	127 419 983	64 851 187	82 843 305	21 932 370	-	297 046 845
Own securities issued	9 522 228	-	22 400 736	204 533	-	32 127 497
Other borrowed funds	-	-	12 802 195	-	-	12 802 195
Other liabilities	820 228	146 624	26 479	12 436	1 433 823	2 439 590
Current income tax payable	-	-	-	-	948	948
Deferred tax liability	-	-	-	-	55 645	55 645
Subordinated borrowings	-	-	21 817 689	-	-	21 817 689
<b>Total liabilities</b>	<b>156 438 827</b>	<b>65 264 674</b>	<b>178 690 445</b>	<b>22 149 339</b>	<b>7 808 401</b>	<b>430 351 686</b>

Segment information for the reportable business segments of the Group for the six-month period ended 30 June 2011 is set out below:

	Corporate banking	Retail banking	Internation al business, investments and financial markets	Small and medium size enterprises	Reconciling items	Total
Interest income	13 245 116	2 132 950	2 294 281	1 968 180	396 919	20 037 446
Interest expense	(3 967 246)	(1 580 708)	(4 998 029)	(71 163)	(49 704)	(10 666 850)
<b>Net interest income</b>	<b>9 277 870</b>	<b>552 242</b>	<b>(2 703 748)</b>	<b>1 897 017</b>	<b>347 215</b>	<b>9 370 596</b>
Net revenue from other segments	(4 048 893)	897 254	4 453 453	(577 377)	(724 437)	-
Fee and commission income	2 300 346	1 166 902	189 542	560 784	6 928	4 224 502
Fee and commission expense	(218 985)	(421 882)	(52 123)	(38 825)	(28 155)	(759 970)
<b>Net fee and commission income</b>	<b>2 081 361</b>	<b>745 020</b>	<b>137 419</b>	<b>521 959</b>	<b>(21 227)</b>	<b>3 464 532</b>
Net (loss)/gain on financial instruments at fair value through profit or loss	-	-	313 833	-	200 837	514 670
Net foreign exchange gain/(loss)	131 199	-	360 032	28 792	(399 860)	120 163
Other income and expense	(147 732)	(21 839)	121 744	8 675	146 803	107 651
<b>Operating income of the segment</b>	<b>7 293 805</b>	<b>2 172 677</b>	<b>2 682 733</b>	<b>1 879 066</b>	<b>(450 669)</b>	<b>13 577 612</b>
Loan impairment charge	(2 703 722)	(1 211 119)	(28 230)	10 537	-	(3 932 534)
Other impairment charge	(11 661)	-	(1 244)	-	-	(12 905)
Administrative expenses	(2 249 164)	(3 164 186)	(456 385)	(1 512 676)	(704 124)	(8 086 535)
<b>Operating expenses</b>	<b>(4 964 547)</b>	<b>(4 375 305)</b>	<b>(485 859)</b>	<b>(1 502 139)</b>	<b>(704 124)</b>	<b>(12 031 974)</b>
<b>Profit/(loss) before tax</b>	<b>2 329 258</b>	<b>(2 202 628)</b>	<b>2 196 874</b>	<b>376 927</b>	<b>(1 154 793)</b>	<b>1 545 638</b>
Income tax (expense)/benefit	(578 716)	547 255	(545 825)	(93 650)	286 914	(384 022)
<b>Profit/(loss) for the period after tax</b>	<b>1 750 542</b>	<b>(1 655 373)</b>	<b>1 651 049</b>	<b>283 277</b>	<b>(867 879)</b>	<b>1 161 616</b>
<b>Revenue of the segment</b>	<b>15 676 661</b>	<b>3 299 852</b>	<b>3 157 688</b>	<b>2 557 756</b>	<b>204 824</b>	<b>24 896 781</b>

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

	Corporate banking	Retail banking	Internation al business, investments and financial markets	Small and medium size enterprises	Reconciling items	Total
Interest income	15 576 878	3 337 735	2 691 963	2 221 147	494 130	24 321 853
Interest expense	(4 758 860)	(2 630 191)	(6 540 511)	(149 447)	(137 869)	(14 216 878)
<b>Net interest income</b>	<b>10 818 018</b>	<b>707 544</b>	<b>(3 848 548)</b>	<b>2 071 700</b>	<b>356 261</b>	<b>10 104 975</b>
Net revenue from other segments	(5 426 219)	1 128 554	6 326 063	(1 012 280)	(1 016 118)	-
Fee and commission income	1 792 157	989 679	178 978	416 209	6 925	3 383 948
Fee and commission expense	(234 426)	(300 012)	(92 501)	(13 980)	(22 304)	(663 223)
<b>Net fee and commission income</b>	<b>1 557 731</b>	<b>689 667</b>	<b>86 477</b>	<b>402 229</b>	<b>(15 379)</b>	<b>2 720 725</b>
Net (loss)/gain on financial instruments at fair value through profit or loss	-	-	(904 641)	-	204 285	(700 356)
Net foreign exchange gain/(loss)	155 364	-	297 153	-	(77 360)	375 157
Income on purchase of non-controlling interest of subsidiary	-	-	147 240	-	-	147 240
Other income and expense	426 484	65 420	86 022	61 946	(3 762)	636 110
<b>Operating income of the segment</b>	<b>7 531 378</b>	<b>2 591 185</b>	<b>2 042 526</b>	<b>1 523 595</b>	<b>(552 073)</b>	<b>13 136 611</b>
Loan impairment charge	(2 404 907)	(2 832 924)	117 257	(428 803)	337 970	(5 211 407)
Other impairment charge	34 464	-	21 883	3	(179 314)	(122 964)
General and administrative expenses	(1 748 422)	(2 650 176)	(372 553)	(1 287 022)	(910 817)	(6 968 990)
<b>Operating expenses</b>	<b>(4 118 865)</b>	<b>(5 483 100)</b>	<b>(233 413)</b>	<b>(1 715 822)</b>	<b>(752 161)</b>	<b>(12 303 361)</b>
<b>Profit/(loss) before tax</b>	<b>3 412 513</b>	<b>(2 891 915)</b>	<b>1 809 113</b>	<b>(192 227)</b>	<b>(1 304 234)</b>	<b>833 250</b>
Income tax (expense)/benefit	(1 109 660)	940 375	(588 276)	62 507	424 103	(270 951)
<b>Profit/(loss) for the period after tax</b>	<b>2 302 853</b>	<b>(1 951 540)</b>	<b>1 220 837</b>	<b>(129 720)</b>	<b>(880 131)</b>	<b>562 299</b>
<b>Revenue of the segment</b>	<b>17 950 883</b>	<b>4 502 075</b>	<b>3 315 334</b>	<b>2 699 365</b>	<b>419 933</b>	<b>28 887 590</b>

## 20 Currency and maturity analysis

### Currency analysis

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

	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	33 290 349	12 826 946	3 874 666	1 343 643	51 335 604
Obligatory reserves with central banks	5 694 610	-	388 464	-	6 083 074
Placements with banks and other financial institutions	42 852	4 174 386	5 553 476	-	9 770 714
Financial assets at fair value through profit or loss	31 344 140	4 324 117	3 364 812	356 004	39 389 073
Amounts receivable under reverse repurchase agreements	15 928 825	-	-	-	15 928 825
Loans to customers	205 380 893	94 108 724	23 716 534	592 184	323 798 335
Investments available for sale	2 789 155	-	5 507	-	2 794 662
Investments held to maturity	2 895 869	46 053	-	-	2 941 922
Other financial assets	303 425	381 798	35 173	14	720 410
<b>Total financial assets</b>	<b>297 670 118</b>	<b>115 862 024</b>	<b>36 938 632</b>	<b>2 291 845</b>	<b>452 762 619</b>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	150 395	452 055	12 734	1 743	616 927
Deposits and balances from banks and other financial institutions	24 022 548	17 532 531	12 939 127	193 194	54 687 400
Amounts payable under repurchase agreements	1 704 173	3 171 195	-	-	4 875 368
Current accounts and deposits from customers	218 740 523	46 134 013	24 908 152	1 181 368	290 964 056
Own securities issued	29 841 817	25 644 468	148 788	-	55 635 073
Other borrowed funds	4 307 895	4 668 265	-	-	8 976 160
Other financial liabilities	1 013 554	168 885	16 977	-	1 199 416
Subordinated borrowings	-	20 094 411	-	-	20 094 411
<b>Total financial liabilities</b>	<b>279 780 905</b>	<b>117 865 823</b>	<b>38 025 778</b>	<b>1 376 305</b>	<b>437 048 811</b>
<b>Net on balance sheet position as at 30 June 2011</b>	<b>17 889 213</b>	<b>(2 003 799)</b>	<b>(1 087 146)</b>	<b>915 540</b>	<b>15 713 808</b>
<b>Net off balance sheet position as at 30 June 2011</b>	<b>2 808 699</b>	<b>(1 399 902)</b>	<b>(1 069 077)</b>	<b>(339 720)</b>	<b>-</b>
<b>Net on and off balance sheet positions as at 30 June 2011</b>	<b>20 697 912</b>	<b>(3 403 701)</b>	<b>(2 156 223)</b>	<b>575 820</b>	<b>15 713 808</b>

The following table shows the currency structure of assets and liabilities as at 31 December 2010:

	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	23 968 729	12 647 595	4 428 368	4 137 557	45 182 249
Obligatory reserves with central banks	2 567 027	-	448 849	-	3 015 876
Placements with banks and other financial institutions	14 494	5 605 817	6 501 721	-	12 122 032
Financial assets at fair value through profit or loss	36 310 744	5 695 180	3 979 340	19 308	46 004 572
Amounts receivable under reverse repurchase agreements	15 949 846	-	-	-	15 949 846
Loans to customers	180 809 109	107 291 732	22 198	648 187	310 947 643
Investments available for sale	2 197 714	-	5 499	-	2 203 213
Investments held to maturity	3 874 209	92 702	-	-	3 966 911
Other financial assets	137 764	590 505	19 337	426	748 032
<b>Total financial assets</b>	<b>265 829 636</b>	<b>131 923 531</b>	<b>37 581 729</b>	<b>4 805 478</b>	<b>440 140 374</b>
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	1 020 926	558 638	6 666	7 154	1 593 384
Deposits and balances from banks and other financial institutions	21 613 417	22 249 044	15 523 536	291 880	59 677 877
Amounts payable under repurchase agreements	1 642 229	1 147 787	-	-	2 790 016
Current accounts and deposits from customers	205 236 349	58 505 159	29 484 504	3 820 833	297 046 845
Own securities issued	22 538 569	9 361 557	227	-	32 127 497
Other borrowed funds	2 806 700	9 995 495	-	-	12 802 195
Other financial liabilities	858 243	167 886	20 644	150	1 046 923
Subordinated borrowings	-	21 817 689	-	-	21 817 689
<b>Total financial liabilities</b>	<b>255 716 433</b>	<b>123 803 255</b>	<b>45 262 721</b>	<b>4 120 017</b>	<b>428 902 426</b>
<b>Net on balance sheet position as at 31 December 2010</b>	<b>10 113 203</b>	<b>8 120 276</b>	<b>(7 680 992)</b>	<b>685 461</b>	<b>11 237 948</b>
<b>Net off balance sheet position as at 31 December 2010</b>	<b>7 298 131</b>	<b>(12 649 946)</b>	<b>5 723 363</b>	<b>(371 548)</b>	<b>-</b>
<b>Net on and off balance sheet positions as at 31 December 2010</b>	<b>17 411 334</b>	<b>(4 529 670)</b>	<b>(1 957 629)</b>	<b>313 913</b>	<b>11 237 948</b>

## Maturity analysis

The following table shows assets and liabilities of the Group by their remaining contractual maturity as at 30 June 2010 and 31 December 2010, with the exception of securities included into financial assets at fair value through profit or loss as at 30 June 2010 and 31 December 2010. Securities approved by the CBR as collateral for its loans are shown in the category “Less than 1 month”, other securities are shown in accordance with their remaining maturity as at 30 June 2010 and 31 December 2010.

Domestic bonds issued are presented in the table below in accordance with their put dates.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

As at 30 June 2011 the Group included part of current accounts from customers amounting to RUB 57 825 567 thousand (31 December 2010: RUB 57 484 344 thousand) in the category “from 1 to 6 months” based on historical experience of stable customer current accounts.

Overdue assets are classified within the “Demand and less than 1 month” column. As at 30 June 2011 overdue assets classified within this category amount to RUB 15 992 936 thousand (31 December 2010: RUB 13 686 048 thousand).

The closed unit investment fund included in investments available-for-sale is shown in the category “From 1 to 6 months” as the management believes it can be sold within a short period of time.

The Group has undrawn lines of credit with the CBR and other financial institutions. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR and other financial institutions mentioned above.

**Promsvyazbank****Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2011***(expressed in thousands of Russian Roubles – refer to Note 2)*

The following table shows the maturity analysis as of 30 June 2011:

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 months to 1 year</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and cash equivalents	51 335 604	-	-	-	-	-	51 335 604
Obligatory reserves with central banks	1 143 618	2 703 889	1 182 656	927 875	125 036	-	6 083 074
Placements with banks and other financial institutions	810 963	8 761 752	197 999	-	-	-	9 770 714
Financial assets at fair value through profit or loss	608 101	9 091 981	4 776 552	19 829 726	4 749 466	333 247	39 389 073
Amounts receivable under reverse repurchase agreements	15 928 825	-	-	-	-	-	15 928 825
Loans to customers	53 524 039	94 678 224	53 596 064	115 907 167	6 092 841	-	323 798 335
Investments available for sale	-	2 601 631	-	-	-	193 031	2 794 662
Investments held to maturity	43 638	22 301	67 470	2 776 854	31 659	-	2 941 922
Other financial assets	720 410	-	-	-	-	-	720 410
<b>Total financial assets</b>	<b>124 115 198</b>	<b>117 859 778</b>	<b>59 820 741</b>	<b>139 441 622</b>	<b>10 999 002</b>	<b>526 278</b>	<b>452 762 619</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss	491 467	17 331	88 878	19 251	-	-	616 927
Deposits and balances from banks and other financial institutions	19 051 492	18 538 829	8 968 185	7 626 311	502 583	-	54 687 400
Amounts payable under repurchase agreements	1 962 890	2 912 478	-	-	-	-	4 875 368
Current accounts and deposits from customers	65 382 888	155 493 458	53 391 562	16 696 148	-	-	290 964 056
Own securities issued	1 632 820	10 274 825	13 496 666	30 230 762	-	-	55 635 073
Other borrowed funds	1 200	960 990	1 045 652	6 968 318	-	-	8 976 160
Other financial liabilities	1 199 416	-	-	-	-	-	1 199 416
Subordinated borrowings	480 147	118 322	5 598 874	5 561 905	8 335 163	-	20 094 411
<b>Total financial liabilities</b>	<b>90 202 320</b>	<b>188 316 233</b>	<b>82 589 817</b>	<b>67 102 695</b>	<b>8 837 746</b>	<b>-</b>	<b>437 048 811</b>
<b>Net liquidity position as at 30 June 2011</b>	<b>33 912 878</b>	<b>(70 456 455)</b>	<b>(22 769 076)</b>	<b>72 338 927</b>	<b>2 161 256</b>	<b>526 278</b>	<b>15 713 808</b>
<b>Cumulative liquidity position as at 30 June 2011</b>	<b>33 912 878</b>	<b>(36 543 577)</b>	<b>(59 312 653)</b>	<b>13 026 274</b>	<b>15 187 530</b>	<b>15 713 808</b>	

**Promsvyazbank****Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2011***(expressed in thousands of Russian Roubles – refer to Note 2)*

The following table shows the maturity analysis as of 31 December 2010:

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 months to 1 year</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and cash equivalents	45 182 249	-	-	-	-	-	45 182 249
Obligatory reserves with central banks	567 083	1 460 004	757 815	249 996	(19 022)	-	3 015 876
Placements with banks and other financial institutions	2 695 667	2 598 827	6 818 780	8 758	-	-	12 122 032
Financial assets at fair value through profit or loss	32 874 973	3 257 688	1 489 849	5 415 067	2 704 109	262 886	46 004 572
Amounts receivable under reverse repurchase agreements	15 949 846	-	-	-	-	-	15 949 846
Loans to customers	44 135 209	103 968 742	56 348 063	97 857 035	8 638 594	-	310 947 643
Investments available for sale	-	-	1 948 931	-	-	254 282	2 203 213
Investments held to maturity	24 754	1 052 442	11 787	2 843 246	34 682	-	3 966 911
Other financial assets	748 032	-	-	-	-	-	748 032
<b>Total financial assets</b>	<b>142 177 813</b>	<b>112 337 703</b>	<b>67 375 225</b>	<b>106 374 102</b>	<b>11 358 363</b>	<b>517 168</b>	<b>440 140 374</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss	1 575 982	16 089	1 313	-	-	-	1 593 384
Deposits and balances from banks and other financial institutions	21 562 175	13 959 090	14 104 519	9 467 421	584 672	-	59 677 877
Amounts payable under repurchase agreements	2 790 016	-	-	-	-	-	2 790 016
Current accounts and deposits from customers	59 825 740	144 655 742	72 346 004	20 219 359	-	-	297 046 845
Own securities issued	1 528 659	12 076 537	10 234 755	8 287 546	-	-	32 127 497
Other borrowed funds	785	4 976 642	1 003 674	6 821 094	-	-	12 802 195
Other financial liabilities	296 697	188 563	272 426	272 278	504	16 455	1 046 923
Subordinated borrowings	530 454	130 855	-	12 107 795	9 048 585	-	21 817 689
<b>Total financial liabilities</b>	<b>88 110 508</b>	<b>176 003 518</b>	<b>97 962 691</b>	<b>57 175 493</b>	<b>9 633 761</b>	<b>16 455</b>	<b>428 902 426</b>
<b>Net liquidity position as at 31 December 2010</b>	<b>54 067 305</b>	<b>(63 665 815)</b>	<b>(30 587 466)</b>	<b>49 198 609</b>	<b>1 724 602</b>	<b>500 713</b>	<b>11 237 948</b>
<b>Cumulative liquidity position as at 31 December 2010</b>	<b>54 067 305</b>	<b>(9 598 510)</b>	<b>(40 185 976)</b>	<b>9 012 633</b>	<b>10 737 235</b>	<b>11 237 948</b>	

## 21 Capital management

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

	<b>30 June 2011</b> <b>(unaudited)</b>	<b>31 December</b> <b>2010</b>
<b>Tier 1 Capital</b>		
Share capital	11 511 052	11 511 052
Share premium	17 303 093	17 303 093
Additional paid-in-capital	81 919	81 919
Retained earnings	14 428 527	13 242 167
Non-controlling interest less goodwill	53 486	-
<b>Total tier 1 capital</b>	<b>43 378 077</b>	<b>42 138 231</b>
<b>Tier 2 Capital</b>		
Asset revaluation reserves	2 631 435	2 717 232
Revaluation reserve of investments available for sale	(116 778)	(80 230)
Subordinated debt excluding accrued interest	13 819 533	15 847 988
<b>Total Capital</b>	<b>59 712 267</b>	<b>60 623 221</b>
<b>Risk-weighted assets</b>		
Banking book	405 371 280	390 838 100
Trading book	24 917 270	30 663 840
<b>Total Risk-weighted assets</b>	<b>430 288 550</b>	<b>421 501 940</b>
<b>Tier 1 Ratio</b>	<b>10,08%</b>	<b>10,00%</b>
<b>Total Capital Adequacy Ratio</b>	<b>13,88%</b>	<b>14,38%</b>

As at 30 June 2011 and 31 December 2010 included in Tier 2 Capital is RUB 13 819 533 thousand and RUB 15 847 988 thousand, respectively, of subordinated debt net of accrued interest, which represent loans and subordinated loan participation notes issued by the Group with the following conditions:

- original maturity is not less than 5 years;
- creditors have no right to claim the deposits before maturity;
- in the event of bankruptcy or default, subordinated deposits and loan participation notes are to be repaid only after the settlement of all other liabilities.

Long-term subordinated debt may not exceed 50% of tier 1 capital.

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under syndicated loans and a subordinated loan from EBRD. These covenants prescribe that the Group must maintain a total capital adequacy ratio not less than 12%. The Group complied with all externally imposed capital requirements during the periods ended 30 June 2011 and 31 December 2010.

The Group also monitors capital requirements set by the Central Bank of Russia for credit institutions. Under the current capital requirements banks have to maintain a ratio of capital to risk weighted assets (“statutory capital ratio”) above the prescribed minimum level. As at 30 June 2011, this minimum level is 10%. The Bank was in compliance with the statutory requirements related to the capital ratio during the periods ended 30 June 2011 and 31 December 2010.

## 22 Credit related and capital commitments

### *Credit related commitments*

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities as at 30 June 2011 and 31 December 2010 are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	<u>30 June 2011</u> <u>(unaudited)</u>	<u>31 December</u> <u>2010</u>
<b>Contracted amount</b>		
Guarantees	70 022 522	62 889 293
Undrawn overdraft facilities	44 501 890	48 438 691
Letters of credit	5 567 927	5 969 835
Undrawn loan facilities	10 379 020	6 911 850

Undrawn overdraft facilities and undrawn loan facilities are unconditionally cancellable at any time.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

### *Capital commitments*

The Group has capital commitments in respect of acquired investment rights for 29 530 square meters of an office building under construction by a Russian developer in the amount of USD 8 million (RUB 224 606 thousand) payable in 2011.

## 23 Related party transactions

For the purposes of this interim consolidated condensed financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances and the related average interest rates as at 30 June 2011 with related parties are as follows:

	Parent		Directors and Management Board		Entities under common control		Total
	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount	Average Interest Rate	Carrying amount
<b>Interim consolidated condensed Statement of Financial Position</b>							
<b>Assets</b>							
Financial assets at fair value through profit or loss	-	-	-	-	7 067	11.26%	7 067
Loans to customers (gross amount)	35	19%	38 531	13.09%	10 130 683	9.05%	10 169 249
less collective impairment allowance	-	-	(4)	-	(18 637)	-	(18 641)
Other assets	-	-	-	-	252 047	-	252 047
<b>Liabilities</b>							
Current accounts and deposits from customers	70 211	0%	299 115	6.87%	1 679 056	0.21%	2 048 382
Own securities issued	-	-	253	7.07%	761	2.42%	1 014
Other liabilities	-	-	-	-	71 499	-	71 499

Entities under common control comprise mainly entities controlled by the ultimate shareholders of the Group.

As stated in Note 1 minority shareholders of the Group are European Bank for Reconstruction and Development and Commerzbank Auslandsbanken Holding AG. Group's management does not consider minority shareholders as related parties as they do not exercise significant influence over Group's financial or operational decisions.

As at 30 June 2011 outstanding balances with EBRD comprised RUB 1 000 200 thousand in Deposits and balances from banks and other financial institutions and RUB 3 763 509 thousand in Other borrowed funds.

As at 30 June 2011 outstanding balances with Commerzbank comprised RUB 89 003 thousand in Placements with banks and other financial institutions and RUB 6 427 116 thousand in Deposits and balances from banks and other financial institutions.

**Promsvyazbank****Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2011***(expressed in thousands of Russian Roubles – refer to Note 2)*

The outstanding balances and the related average interest rates as at 31 December 2010 with related parties are as follows:

	<b>Parent</b>		<b>Directors and Management Board</b>		<b>Entities under common control</b>		<b>Total</b>
	<b>Carrying amount</b>	<b>Average Interest Rate</b>	<b>Carrying amount</b>	<b>Average Interest Rate</b>	<b>Carrying amount</b>	<b>Average Interest Rate</b>	<b>Carrying amount</b>
<b>Interim consolidated condensed Statement of Financial Position</b>							
<b>Assets</b>							
Financial assets at fair value through profit or loss	-	-	-	-	629 713	11.50%	629 713
Loans to customers (gross amount)	1	-	79 375	11.37%	8 229 390	9.47%	8 308 765
less collective impairment allowance	-	-	(66)	-	(4 638)	-	(4 704)
Other assets	-	-	-	-	187 993	-	187 993
<b>Liabilities</b>							
Current accounts and deposits from customers	1 735 772	10,90%	398 114	9.07%	4 561 213	0.42%	6 695 099
Own securities issued	-	-	244	7.07%	-	-	244
Other liabilities	-	-	-	-	176 521	-	176 521

As at 31 December 2010 outstanding balances with EBRD comprised RUB 1 581 015 thousand in Deposits and balances from banks and other financial institutions and RUB 8 776 043 thousand in Other borrowed funds.

As at 31 December 2010 outstanding balances with Commerzbank comprised RUB 138 475 thousand in Placements with banks and other financial institutions and RUB 3 294 378 thousand in Deposits and balances from banks and other financial institutions.

**Promsvyazbank****Notes to the interim consolidated condensed financial information – six-month period ended 30 June 2011***(expressed in thousands of Russian Roubles – refer to Note 2)*

Profit or loss amounts in respect of transactions with related parties for the six-month period ended 30 June 2011 are as follows:

	<b>Parent</b>	<b>Directors and Management Board</b>	<b>Entities under common control</b>	<b>Total</b>
Interest income	1	3 068	476 497	479 566
Fee and commission income	6 674	1	98 394	105 069
Interest expense	(58)	(9 618)	(34 536)	(44 212)
Fee and commission expense	-	-	(5 072)	(5 072)
Administrative expenses	-	(307 022)	(107 323)	(414 345)
Charge of impairment losses	-	63	(13 999)	(13 936)

Profit or loss amounts in respect of transactions with related parties for the six-month period ended 30 June 2010 are as follows:

	<b>Parent</b>	<b>Directors and Management Board</b>	<b>Entities under common control</b>	<b>Total</b>
Interest income	-	4 030	476 871	480 901
Fee and commission income	29	61	46 518	46 608
Interest expense	(17 523)	(18 992)	(17 785)	(54 300)
Fee and commission expense	-	-	(3 544)	(3 544)
Administrative expenses	(45 000)	(143 991)	(127 982)	(316 973)
Recovery of impairment losses	-	529	30 025	30 554

During the six-month period ended 30 June 2011, short-term compensation of the Directors and members of the Management Board amounted to RUB 307 022 thousand (six-month period ended 30 June 2010: RUB 188 991 thousand).

## **24 Subsequent events**

On 22 August the Central Bank of Russia has registered a subordinated EURO 65 000 thousand loan received by the Group bearing a fixed interest rate of 8% p.a. Repayment date falling 5,5 years after date of agreement. Date of agreement is 16 august 2011.

On 20 July the Group acquired loans to small and medium enterprises totaling RUB 905 622 thousand. Purchase price of acquired loans is RUB 926 292 thousand.